INFORMATION MEMORANDUM

STRICTLY PRIVATE AND CONFIDENTIAL

No action has been taken by NBAD, the Lead Arranger or the Joint Lead Managers that would permit an offering of the securities the subject of this Information Memorandum or possession or distribution of such securities in any jurisdiction where action for that purpose is required. This Information Memorandum is intended solely for the use of the intended recipient for the purposes as disclosed by the intended recipient to the Lead Arranger and the Joint Lead Managers and the contents may not be reproduced, redistributed, or copied in whole or in part by the intended recipient for any purpose without the express authority of the Lead Arranger, the Joint Lead Managers and NBAD.

National Bank of Abu Dhabi P.J.S.C

(incorporated with limited liability in Abu Dhabi, the United Arab Emirates)

CONVENTIONAL MEDIUM TERM NOTES AND ISLAMIC SECURITIES PROGRAMME OF UP TO MYR3,000,000,000

Under the programme described by this Information Memorandum (the "**NBAD MYR Programme**" or "**Programme**"), medium term notes (the "**MTNs**") and Islamic securities ("**Sukuk**") of up to an aggregate nominal amount of RM3,000,000,000 (collectively referred to as the "**Notes**") may be issued by the National Bank of Abu Dhabi P.J.S.C. ("**NBAD**" or the "**Issuer**"), a public joint stock company incorporated in the Emirate of Abu Dhabi on 13 February 1968.

The MTNs and/or the Sukuk may comprise senior securities ("**Senior MTNs**" and "**Senior Sukuk**", respectively, and collectively "**Senior Notes**") or subordinated securities ("**Subordinated MTNs**" and "**Subordinated Sukuk**", respectively, and collectively "**Subordinated Notes**"). The MTNs and the Sukuk are collectively referred to as the "**Notes**".

The issuance of Senior Notes under the Programme has been assigned a rating of AAA from RAM Rating Services Berhad (Company No. 763588-T) ("**RAM**"). The issuance of Subordinated Notes under the Programme has been assigned a rating of AA1 from RAM.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

The Notes are not required to be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). The Notes are to be issued in bearer form and may not be offered, sold or delivered within the United States or to United States persons as part of their primary distribution.

PRINCIPAL ADVISER AND LEAD ARRANGER

THE ROYAL BANK OF SCOTLAND BERHAD

JOINT LEAD MANAGERS

The Royal Bank of Scotland Berhad
(Company Number. 301932-A)

Maybank Investment Bank Berhad
(Company No: 15938-H)

HSBC Bank Malaysia Berhad
(Company No. 127776-V)

HSBC Amanah Malaysia Berhad
(Company No. 807705-X)

Dated 5 July 2012

IMPORTANT NOTICE

Pursuant to Practice Note 2A - "Application of the Guidelines on the Offering of Private Debt Securities to Foreign Governments and Agencies or Organizations of Foreign Governments" issued by the Securities Commission of Malaysia ("SC") on 23 March 2006 ("PN2A") to clarify the application of "Guidelines on the Offering of Private Debt Securities", proposed issuances of MYR denominated Debt Securities by a Foreign Government and an Agency or Organization of a Foreign Government is deemed approved by the SC upon the submission of the following documents:-

(a) where the issuer is a foreign government, a letter from the government to authorize the issue of, offer for or invitation to subscribe for or purchase, MYR denominated debt securities in Malaysia; and

(b) where the issuer is an agency or organization of a foreign government, a letter from its authorized director(s) to declare that it is an agency or organization of a foreign government as defined in PN2A and to authorize the issue of, offer for or invitation to subscribe for or purchase, MYR debt securities in Malaysia.

A copy of the explicit guarantee letter from its government, or in the event that the foreign agency or organization is wholly or majority-owned by its government, an evidence of its government's shareholding in it and a copy of its local currency (or foreign currency, if applicable) rating.

However, please note that the SC's approval of this proposal shall not be taken to indicate that the SC recommends the proposal.

NBAD has prepared this Information Memorandum ("**Information Memorandum**"), which is being provided on a confidential basis to potential investors who are persons to whom an issue, offer or invitation to subscribe for or purchase, whether as principal or agent, from time to time of medium term notes ("**MTNs**") or Islamic securities ("**Sukuk**") (collectively referred to as the "**Notes**") under the MYR3,000,000,000 programme of NBAD ("**NBAD MYR Programme**" or "**Programme**") would constitute an excluded offer or excluded invitation or an excluded issue as specified:

(1) at the point of issuance of the Notes, within:

(i) Schedule 6 (or Section 229(1)(b)) of the Capital Markets & Services Act 2007 ("**CMSA**") or Schedule 7 (or Section 230(1)(b)) of the CMSA; read together with

(ii) Schedule 9 (or Section 257(3)) of the CMSA; and

(2) after the issuance of the Notes, within:

(i) Schedule 6 (or Section 229(1)) of CMSA; read together with

(ii) Schedule 9 (or Section 257(3)) of the CMSA.

(the "**Potential Investors**").

The Notes may not be issued, offered, sold, transferred or otherwise disposed of, directly or indirectly, nor may any document or other material in connection therewith or the NBAD MYR Programme including this Information Memorandum be distributed, in Malaysia other than to the Potential Investors.

This Information Memorandum may not be, in whole or in part, reproduced or used for any other purpose, or shown, given, copied to or filed with any other person including, without limitation, any government or regulatory authority except with the prior consent of The Royal Bank of Scotland Berhad (referred to as "**RBS Berhad**" or "**Principal Adviser**" or "**Lead Arranger**" or "**Joint Lead Manager**"), Maybank Investment Bank Berhad (referred to as "**Maybank IB**" or "**Joint Lead Manager**"), HSBC Bank Malaysia Berhad (referred to as "**HSBC**" or "**Joint Lead Manager**") or HSBC Amanah Malaysia Berhad (referred to as "**HSBC Amanah**" or "**Joint Lead Manager**") (collectively referred to as the "**Joint Lead Managers**") or as required under Malaysian laws, regulations or guidelines.

NBAD accepts responsibility for the information contained herein and has made all enquiries as were reasonable in the circumstances and after making such enquiries has reasonable grounds to believe and does believe, up to the time of the issue of this Information Memorandum, that the information herein is true and not misleading and there is no material omission therein. This Information Memorandum should not be construed as a recommendation by NBAD, RBS Berhad, HSBC, Maybank IB or HSBC Amanah or any other party to subscribe for or purchase the Notes. Further, the information contained herein should not be read as a representation or warranty, expressed or implied, as to the merits of the Issue or the purchase of the Notes. Neither this Information Memorandum nor any other information supplied in connection with the Notes is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by NBAD or the Joint Lead Managers that any recipient of this Information Memorandum should purchase any of the Notes. Each recipient should perform and is deemed to have made his/its own independent investigation and analysis of NBAD, the Issue and all other relevant matters, including but not limited to the information and data set out in this Information Memorandum, and each recipient should consult its own professional advisers.

The transaction structure relating to the Sukuk has been approved by HSBC Amanah Malaysia Berhad Shariah Committee, Maybank Islamic Berhad Shariah Committee and RBS Berhad Shariah Committee. Prospective holders of the Sukuk should not rely on the approval referred to above in deciding whether to make an investment in the Sukuk, nor as the basis for deciding whether each of the structure, the issue and the trading of the Sukuk is in compliance with Shariah principles. In particular, any reference in this Information Memorandum to secondary trading of the Sukuk is not to be taken as advice or confirmation that such trading is Shariah compliant. Prospective holders of the Sukuk should obtain their own independent Shariah advice as to compliance with Shariah principles.
NBAD confirms that to the best of its knowledge, information and belief: (a) this Information Memorandum contains all information with respect to NBAD and its subsidiaries (together, the "**Group**") which is material in the context of the purpose for which this Information Memorandum is issued, (b) the information and data contained in this Information Memorandum are true, accurate and not misleading in all material respects, (c) the opinions and intentions expressed in this Information Memorandum are honestly held and (d) there is no material omission of any information and data from this Information Memorandum which would make this Information Memorandum or any such information or the expression of any such opinions or intentions misleading.

This Information Memorandum has not been and will not be made to comply with the laws of any jurisdiction outside Malaysia ("**Foreign Jurisdiction**"), and has not been and will not be lodged, registered or approved pursuant to or under any legislation of (or with or by any regulatory authorities or other relevant bodies of) any Foreign Jurisdiction and it does not constitute an offer of, or an invitation to subscribe for or purchase the Notes or any other securities of any kind by any party in any Foreign Jurisdiction. This Information Memorandum is not and is not intended to be a prospectus.

The distribution of this Information Memorandum and the offer or sale of the Notes in certain jurisdictions may be restricted or prohibited by law in such jurisdictions; persons into whose possession this Information Memorandum comes must inform themselves about and observe and comply with any such prohibitions and/or restrictions.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by NBAD, the Lead Arranger or the Joint Lead Managers or any other person. Neither the delivery of this document nor any sale made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Group since the date hereof. This document does not constitute an offer of, or an invitation by, or on behalf of, NBAD to subscribe for, or purchase, any of the Notes. This document does not constitute an offer, and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

By accepting delivery of this Information Memorandum, each recipient agrees to the terms upon which this Information Memorandum is provided to such recipient as set out in this Information Memorandum, and further agrees and confirms that:-

(a) it will keep confidential all of such information and data and will not be reproduced howsoever and in whatsoever manner, without the prior written consent of NBAD, the Lead Arranger and the Joint Lead Managers;
(b) it is lawful for the recipient to subscribe for or purchase the Notes under all jurisdictions to which the recipient is subject;
(c) the recipient has complied with all applicable laws in connection with such subscription or purchase of the Notes;
(d) NBAD, the Principal Adviser, the Joint Lead Managers and their respective directors, officers, employees and professional advisers are not and will not be in breach of the laws of any jurisdiction to which the recipient is subject as a result of such subscription or purchase of the Notes, and they shall not have any responsibility or liability in the event that such subscription or purchase of the Notes is or shall become unlawful, unenforceable, voidable or void;
(e) it is aware that the Notes can only be offered, sold, transferred or otherwise disposed of directly or indirectly in accordance with the relevant selling restrictions and all applicable laws;
(f) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Notes, and is able and is prepared to bear the economic and financial risks of investing in or holding the Notes;
(g) it is subscribing or accepting the Notes for its own account; and
(h) at the point of issuance of the Notes, the issuance falls within: (i) Schedule 6 (or Section 229(1)(b)) of the Capital Markets & Services Act 2007 ("**CMSA**") or Schedule 7 (or Section 230(1)(b)) of the CMSA; read together with (ii) Schedule 9 (or Section 257(3)) of the CMSA; and (2) after the issuance of the Notes, within: (i) Schedule 6 (or Section 229(1)) of CMSA; read together with (ii) Schedule 9 (or Section 257(3)) of the CMSA.

Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of all jurisdictions to which it is subject. For the avoidance of doubt, this Information Memorandum shall not constitute an offer or invitation to subscribe or purchase the Notes in relation to any recipient who does not fall within item (h) above.

This Information Memorandum includes certain historical information, estimates and projections or reports thereon derived from sources believed by NBAD to be reliable and other publicly available information. Such information, estimates, and projections or reports have been included solely for illustrative purposes. No representation or warranty is made as to the accuracy of any information, estimate and projection or report thereon derived from such and other third party sources.

This Information Memorandum includes "forward looking statements". These statements include, among other things, disclosure of NBAD's business strategy and expectations, future operations, liquidity, financial position and settlement of indebtedness. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may affect actual outcomes, many of which are outside the control of NBAD. All these statements are based on estimates and assumptions made by NBAD that, although believed to be reasonable, are subject to risks and uncertainties that may cause actual events and the future results of NBAD to be materially different from that expected or indicated by such statements and estimates, and no assurance is given that any of such statements or estimates will be realised. Therefore, the contingencies and inherent uncertainties underlying such information should be carefully considered by investors and the inclusion of a forward looking statement in this Information Memorandum is not a representation or warranty by NBAD or any other person that the plans and objectives of NBAD will be achieved. Further, such parties are not under any obligation to update or revise such forward-looking statements to reflect any change in expectations or circumstances. Any differences in the expectations of NBAD from their actual performance may result in such company's financial and operating performance and plans being materially different from those anticipated.

The following documents to be published or issued from time to time after the date hereof shall be deemed to be incorporated by reference in, and to form part of this Information Memorandum:

1. any audited consolidated annual financial statements of NBAD (together with the Director's reports and the auditors reports prepared in connection therewith which have previously been published;
2. any publicly available unaudited consolidated interim financial statements of NBAD which have previously been published; and
3. all supplements or amendments to this Information Memorandum (circulated by the Issuer from time to time).

This Information Memorandum is to be read in conjunction with all such documents which are incorporated by reference herein. Any statement contained in this Information Memorandum or in a document deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Information Memorandum to the extent that a statement contained in this Information Memorandum or in such subsequent document that is also deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Information Memorandum.

The financial statements of NBAD included in this Information Memorandum are prepared in accordance with International Financial Reporting Standards and these may differ from the approved accounting standards applied in Malaysia. No attempt has been made to identify any such differences or to attempt a reconciliation of the financial statements of NBAD, presented in accordance with International Financial Reporting Standards, with the approved accounting standards applied in Malaysia.

This Information Memorandum will be lodged with the SC. However, such lodgement and approval by the SC shall not be construed in any way as a recommendation to subscribe by the SC nor will the SC take any responsibility for its contents. In this regard, the SC shall not be liable for any non-disclosure on the part of NBAD in the preparation of this Information Memorandum and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Information Memorandum.

None of the Joint Lead Managers or the Principal Adviser have verified the information contained herein. Accordingly, no statement, representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any thereof as to the accuracy, adequacy, legality, effectiveness, validity, genuineness, enforceability, admissibility, reasonableness or completeness of the information contained in this Information Memorandum or any other information provided by NBAD in connection with the Notes, their distribution or their future performance.

EACH ISSUE OF PRIVATE DEBT SECURITIES WILL CARRY DIFFERENT RISKS. INVESTORS MUST RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF AN INVESTMENT IN ANY ISSUE OF PRIVATE DEBT SECURITIES, INCLUDING THE NOTES. IT IS RECOMMENDED THAT PROSPECTIVE INVESTORS CONSULT THEIR OWN LEGAL, FINANCIAL AND OTHER ADVISERS BEFORE PURCHASING OR ACQUIRING THE NOTES.

NBAD HEREBY ACKNOWLEDGES THAT THE LEAD ARRANGER AND THE JOINT LEAD MANAGERS HAVE BEEN AUTHORISED TO CIRCULATE THIS INFORMATION MEMORANDUM ON ITS BEHALF IN CONNECTION WITH THE OFFER OR INVITATION TO SUBSCRIBE FOR, AND ISSUE OF, THE NOTES TO PROSPECTIVE INVESTORS AND THAT NO FURTHER EVIDENCE OF AUTHORISATION IS REQUIRED.

Table of Contents

Glossary

ADIs	-	financial institutions licensed under the Banking and Financial Institutions Act 1989 or the Islamic Banking Act 1983 who are members of RENTAS and authorised or approved by BNM to receive and make payments relating to debt securities and to effect transfers of debt securities
AED or UAE dirham	-	the lawful currency of the UAE
BNM	-	Bank Negara Malaysia
Bursa Securities	-	Bursa Malaysia Securities Berhad
Business Day	-	means a day (other than Friday, Saturday and Sunday) on which commercial banks and foreign exchange markets in Kuala Lumpur and Abu Dhabi are open for business
Central Depository	-	means MyClear as agent of BNM acting as depository in respect of the Global Certificates pursuant to the Central Securities Depository and Paying Agency Rules.
Central Securities Depository and Paying Agency Rules	-	means the rules and procedures governing the depository and paying agency services provided by MyClear as agent for BNM in relation to securities deposited in RENTAS.
CMSA	-	Capital Markets and Services Act, 2007 of Malaysia and includes any statutory amendment or re-enactment thereof
Conditions	-	the MTN Conditions or the Sukuk Conditions, as the case may be
Definitive Certificate	-	a definitive certificate evidencing any of the MTNs or Sukuk and substantially in the forms set out in Schedule 1 of the NBAD MYR Programme Agreement
EU	-	The European Union
Euro	-	the lawful currency of the European Community
Facility Agent	-	RBS Berhad
FAST	-	the Fully Automated System for Issuing / Tendering maintained by BNM as varied, upgraded or substituted from time to time
Final Terms	-	each document titled as such and executed by, *inter alia*, NBAD in relation to each issue of Notes to set forth the specific terms for such issue of Notes
Global Certificate	-	a global certificate evidencing any of the MTNs or Sukuk and substantially in the forms set out in Schedule 1 of the NBAD MYR Programme Agreement
Group	-	NBAD and its subsidiaries

HSBC	-	HSBC Bank Malaysia Berhad (Company No. 127776-V)
HSBC Amanah	-	HSBC Amanah Malaysia Berhad (Company No. 807705-X)
Issue Date	-	the date of Issue of a relevant Series of Notes
Issuer	-	National Bank of Abu Dhabi P.J.S.C or "NBAD"
Islamic Transaction Documents	-	the agreements to be entered into in connection with each Issue of the Sukuk as set out in Annex D to the form of the Issuance Agreement attached to the NBAD MYR Programme Agreement
Issuance Agreement		the agreement executed from time to time by the Issuer for the appointment of the Joint Lead Managers containing standard terms in relation to an Issue of Sukuk
Issue	-	the issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase the Notes
Issue Date	-	the date on which any Notes are issued
Joint Lead Managers	-	any institution who has been appointed a Joint Lead Manager or "JLM" pursuant to the NBAD MYR Programme Agreement (but excludes each institution who has ceased to be a JLM or whose appointment has lapsed pursuant to its terms) and may include any or all of: RBS Berhad; Maybank IB; HSBC; or HSBC Amanah, (the above financial institutions being hereinafter referred to as the "**First Joint Lead Managers**")
Lead Arranger	-	RBS Berhad
Maybank IB	-	Maybank Investment Bank Berhad (Company No. 15938-H)
MTNs	-	Medium Term Notes issued by NBAD under the NBAD MYR Programme
MTNholder	-	(in relation to an MTN) "holder" means the several persons who are for the time being the beneficial owners of the MTNs as evidenced by the records maintained by ADIs or a bearer of a Definitive Certificate in relation to such MTN
<u>MyClear</u>	-	means **Malaysian Electronic Clearing Corporation Sdn Bhd** (Company No. 836743-D), a wholly-owned subsidiary of BNM.
<u>MyClear Procedures</u>	-	means the Operational Procedures for Securities Services and any other prevailing rules as may be issued by BNM or MyClear from time to time affecting the issuance and trading of the Notes through FAST and/or on RENTAS.

MyClear Rules	-	means the Participation and Operation Rules for Payment and Securities Services and any other prevailing rules as may be issued by BNM or MyClear from time to time affecting the issuance and trading of the Notes through FAST and/or on RENTAS.
MYR or RM or Ringgit	-	the lawful currency of Malaysia
NBAD	-	National Bank of Abu Dhabi P.J.S.C or the "Issuer"
NBAD MYR Programme	-	the programme established by NBAD for the issue of the MTNs and Sukuk of up to an aggregate nominal amount of RM3,000,000,000
NBAD MYR Programme Agreement	-	the agreement to be entered into between the Issuer, the Lead Arranger, the Facility Agent and the Joint Lead Managers
Notes	-	collectively the MTNs and the Sukuk issued by NBAD under the NBAD MYR Programme
Noteholder	-	(in relation to a Note) "holder" means the several persons who are for the time being the beneficial owners of the Notes as evidenced by the records maintained by ADIs and/or a bearer of a Definitive Certificate
Paying Agent	-	BNM
PDS Guidelines	-	Guidelines on the Offering of Private Debt Securities dated 26 July 2004
PN2A	-	Practice Note 2A – Application of the Guidelines on the Offering of Private Debt Securities to Foreign Governments and Agencies or Organizations of Foreign Governments
Principal Adviser	-	RBS Berhad
RAM	-	RAM Rating Services Berhad (Company No. 763588-T)
RBS Berhad	-	The Royal Bank of Scotland (Company No. 301932-A)
RENTAS	-	the scripless book-entry securities trading and funds transfer system known as Real Time Electronic Transfer of Funds and Securities System maintained by BNM as varied, upgraded or substituted from time to time
RENTAS Rules	-	Rules on Scripless Securities under RENTAS, 2006 issued by BNM, as may be modified, revised or substituted from time to time by BNM
RULES	-	means: (a) the RENTAS Rules; (b) the Rules on the FAST for Issuing/Tendering 2006 issued by BNM and as modified or revised or substituted from time to time by BNM; and/or (c) the MyClear Procedures and MyClear Rules as modified or

revised or substituted from time to time,

whichever is applicable.

SC	-	the Securities Commission
Securities Lodgement Form for Central Securities Depository and Paying Agency Services	-	means the securities lodgement form for central securities depository and paying agency services to be executed by (1) the Issuer; (2) the Lead Arranger; (3) the Facility Agent; and (4) the Trustee.
Senior MTNs	-	the MTNs other than the Subordinated MTNs
Senior Notes	-	the Senior MTNs and the Senior Sukuk collectively
Senior Sukuk	-	the Sukuk other than the Subordinated Sukuk
Series	-	a series of Notes having identical terms
Subscription Agreement	-	the agreement executed from time to time by the Issuer for the appointment of the Joint Lead Managers containing standard terms in relation to an Issue of MTNs
SSTS	-	Scripless Securities Trading System
Subordinated Notes	-	the Subordinated MTNs and the Subordinated Sukuk collectively
Subordinated Noteholders	-	means the several persons who are for the time being the beneficial owners of the Subordinated Notes as evidenced by the records maintained by the ADIs or a bearer of a Definitive Certificate in relation to such Subordinated Notes.
Subordinated MTNs	-	subordinated Medium Term Notes issued by NBAD under the NBAD MYR Programme
Subordinated MTNholders	-	means the several persons who are for the time being the beneficial owners of the Subordinated MTNs as evidenced by the records maintained by the ADIs or a bearer of a Definitive Certificate in relation to such Subordinated MTNs.
Subordinated Sukuk	-	subordinated Islamic securities issued by NBAD under the NBAD MYR Programme
Subordinated Sukukholders		(in relation to any Sukuk) "holder" means the several persons who are for the time being the beneficial owners of the Sukuk as evidenced by the records maintained by the ADIs or a bearer of a Definitive Certificate in relation to such Subordinated Sukuk.
Sukuk	-	Islamic Securities issued by NBAD under the NBAD MYR Programme
Sukukholder	-	(in relation to any Sukuk) "holder" means the several persons who are for the time being the beneficial owners of the Sukuk as evidenced by the records maintained by the ADIs or a bearer of a Definitive Certificate in relation to such Sukuk
Transaction Documents	-	The NBAD MYR Programme Agreement, the Securities Lodgement

		Form for Central Securities Depository and Paying Agency Services and, as applicable, each Subscription Agreement and Issuance Agreement, each of the Islamic Transaction Documents and each Global Certificate and Definitive Certificate
UAE	-	the United Arab Emirates
US	-	the United States of America
USD	-	the lawful currency of the United States of America

Except where the context requires or it is otherwise specified, all references in this Information Memorandum to "we", "our", or "us" are references to NBAD. References to "you" or "your" are to Potential Investors.

In this Information Memorandum, all references to "Malaysia" are references to the Federation of Malaysia. All references to the "UAE" are references to the United Arab Emirates, and all references to “Abu Dhabi Government” are references to the Government of Abu Dhabi.

In this Information Memorandum, unless otherwise specified or the context requires otherwise, where information is presented numerically, amounts and percentages may have been rounded to the nearest decimal place.

1. Executive Summary

General Information

NBAD, has mandated RBS Berhad to arrange for the establishment of the NBAD MYR Programme under which NBAD may, from time to time, issue the Notes. Under the NBAD MYR Programme, Maybank IB, HSBC and HSBC Amanah have been appointed as the First Joint Lead Managers to manage the first Issue of the Notes. HSBC will, however, only manage an issue of MTNs and HSBC Amanah will only manage an issue of Sukuk; if an issue involves both MTNs and Sukuk, HSBC will manage that part of the issue involving the MTNs and HSBC Amanah will manage that part of the issue involving the Sukuk. NBAD may, from time to time, appoint a combination of the First Joint Lead Managers or other financial institutions, or any of them individually to manage each subsequent Issue of the Notes under the NBAD MYR Programme.

The net proceeds from the sale of MTNs offered by NBAD under the NBAD MYR Programme will be used by NBAD for its general operations.

The proceeds raised from the issuance of the Sukuk under the NBAD MYR Programme will be utilised by NBAD (or made available by NBAD for utilisation by its subsidiaries) for the purpose of financing existing and future Shariah compliant investments and/or in connection with Shariah compliant Islamic finance activities which includes, without limitation, covering the acquisition cost of the existing and future Shariah compliant assets of NBAD.

The Notes shall not be listed on Bursa Securities or any other stock exchange but will be traded and prescribed under the SSTS maintained by BNM.

The Notes comprise the Senior Notes and the Subordinated Notes. The Senior Notes will constitute unsubordinated and unsecured obligations of NBAD ranking *pari passu*, without any preference among themselves, with all other obligations of NBAD that are unsecured and unsubordinated.

The Subordinated Notes are subordinated and unsecured obligations of NBAD ranking pari passu and without any preference among themselves and subordinated to all other outstanding unsecured and unsubordinated obligations for borrowed money of NBAD.

Statutory Approvals

Approval for the issue of the Notes has been granted by BNM vide their letter of 3 June 2008 and in respect of the Subordinated Notes, vide their letter of 26 September 2011. The proposed issuance of the Senior Notes by NBAD in Malaysia would be accorded the following flexibilities and treatment:-

(a) classified as Class 1 liquefiable assets with a 6% yield slippage under the liquidity framework if the issue enjoys a 0% risk weight; and

(b) qualify as eligible securities to be transacted under the repurchase operations with BNM if the issue enjoys a 0% risk weight.

BNM had also indicated that a risk weighting of 0% under the risk weighted capital adequacy framework could be accorded if, amongst others, NBAD is explicitly accorded a 0% risk weight by its national supervisor (the supervisor of its place of incorporation). However, as at the date of this Information Memorandum NBAD does not meet this condition .

In addition, on 18 July 2008, BNM confirmed that investments by resident insurers in the Senior Notes to be issued by NBAD would qualify as low risk assets for the purpose of supporting the insurers' margin of insolvency if the following conditions are met:

(a) NBAD has an explicit guarantee or is wholly / majority-owned by its sovereign (central government) or central bank of its place of incorporation; and

(b) the sovereign or central bank is rated at least A-.

As at the date of this Information Memorandum, NBAD meets the foregoing conditions.

The Notes will be issued according to PN2A issued by the SC on 23 March 2006. PN2A modifies certain requirements of the PDS Guidelines and deems the approval of the SC for the issue of the Notes to be granted upon the submission of this Information Memorandum to the SC together with a copy of a document confirming that the Abu Dhabi Government, through the Abu Dhabi Investment Council ("**ADIC**"), owns at least 51% of the share capital of NBAD and a copy of a document confirming the rating of the Notes.

The Subordinated Notes under the NBAD MYR Programme shall be constituted by a trust deed ("**Trust Deed**") and shall be subject to the SC's trust deed guidelines dated 12 August 2011 ("**Trust Deeds Guidelines**"). A waiver letter dated 12 April 2012 has been issued by the SC to HSBC and Maybank IB on compliance with the Trust Deeds Guidelines. The waiver letter grants NBAD a waiver from complying with certain requirements of the Trust Deeds Guidelines for the purposes of the Trust Deed, including a waiver from complying with provisions on events of default in Section 12.01(a) of the Trust Deeds Guidelines, and provisions on covenants in Section 14.01(c), (h) and (i) of the Trust Deeds Guidelines (subject to conditions set out in the waiver letter).

Notwithstanding the above, the Senior Notes under the NBAD MYR Programme are not constituted by a trust deed and are exempted from the requirements of the CMSA with respect to the appointment of a trustee under a trust deed, and are not required to comply with the "Trust Deeds Guidelines" as prescribed by the SC.

Background of NBAD

NBAD was incorporated on 13 February 1968 with limited liability and is registered as a public joint stock company in accordance with the United Arab Emirates ("**UAE**") Commercial Companies Law No. (8) of 1984 (as amended). NBAD operates in the UAE under a banking licence (the "**Banking Licence**") granted by the UAE Central Bank. The Banking Licence was granted for an indefinite period of time and does not need to be renewed on a periodic basis. Its registered office address is P.O. Box 4, Abu Dhabi, United Arab Emirates (telephone number: +9712 6111111). NBAD is engaged primarily in commercial, investment and Islamic banking in the UAE and at selected overseas locations in Bahrain, Egypt, France, Kuwait, Oman, Sudan, Switzerland, the United Kingdom and the United States of America.

Relationship with the Government of Abu Dhabi

NBAD is currently 70.5% owned by the Abu Dhabi Government through the **ADIC**. The remaining 29.5% is held by UAE shareholders and others. By virtue of its shareholding, the ADIC has the ability to influence NBAD's business significantly through the ability to control corporate actions that require shareholders approval. However, the management of NBAD does not expect that any conflict of interest is likely to arise with the ADIC.

Credit Rating of the Senior Notes

Malaysian rating

RAM : (Long term) AAA, (Short term) P-1

International rating

NBAD's international credit ratings are amongst the highest of any bank in the Middle East region. The current ratings for senior debt are:

S&P: (Long term) A+, (Short term) A-1

Moody's: (Long term) Aa3, (Short term) P1

Fitch: (Long term) AA−, (Short term) F1+

Capital Intelligence: (Long term) AA−, (Short term) A1+

Credit Rating of the Subordinated Notes

RAM: (Long term) AA1

Summary of Terms of the NBAD MYR Programme

The following section summarises the material terms and conditions of the Notes. This summary does not purport to be complete and is subject to the detailed terms of the Transaction Documents and the Issue Documents.

Issuer	:	National Bank of Abu Dhabi P.J.S.C
Principal Adviser and Lead Arranger	:	RBS Berhad
Joint Lead Managers	:	RBS Berhad, HSBC (only for MTNs), HSBC Amanah (only for Sukuk) and Maybank IB
Facility Agent	:	RBS Berhad
Depository and Paying Agent	:	BNM
Rating Agency	:	RAM
Issue Rating	:	Malaysian ratings RAM: AAA (for the Senior Notes) RAM: AA1 (for the Subordinated Notes)
Principal Amount	:	MYR 3,000,000,000 (Ringgit Three Billion) in principal amount.
Purpose	:	The net proceeds from the sale of MTNs offered by NBAD under the NBAD MYR Programme will be used by NBAD for its general operations. The proceeds raised from the issuance of the Sukuk under the

		NBAD MYR Programme will be utilised by NBAD (or made available by NBAD for utilisation by its subsidiaries) for the purpose of financing existing and future Shariah compliant investments and/or in connection with Shariah compliant Islamic finance activities which includes, without limitation, covering the acquisition cost of the existing and future Shariah compliant assets of NBAD.
Tenor	:	Tenor of Programme Up to 20 years. Tenor of Notes More than one (1) year, provided that the tenor of any Note issued shall not exceed the remaining tenor of the Programme.
Type of Securities	:	Fixed Rate / Floating Rate / Zero Coupon medium term notes and Sukuk
Status of the Senior Notes	:	Unsubordinated, Unsecured
Status of the Subordinated Notes	:	Subordinated, Unsecured
Form & Denomination	:	The Notes will be in bearer form and in the denominations and multiples of MYR1,000,000 each. The Notes shall be issued in accordance with the "Code of Conduct and Market Practices for the Malaysian Corporate Bond Market" issued by the Institut Peniaga Bon Malaysia and approved by BNM and the RENTAS Rules, or their replacement thereof applicable from time to time. The Notes will be represented by Global Bond Certificate(s) to be deposited with BNM and will be traded under the SSTS maintained by BNM.
Method of Issuance	:	Book building or private placement basis without prospectus.
Listing	:	The Notes will not be listed on Bursa Securities or on any other stock exchange but will be reported on the Fully Automated System for Issuing/Tendering, and traded and prescribed under the SSTS maintained by BNM.
Relevant Business Days	:	Kuala Lumpur
Selling Restrictions	:	**General** No action has been or will be taken by the Issuer or by or on behalf of the Joint Lead Managers which would permit a public offering of any of the Notes or distribution of the Information Memorandum or any amendment or supplement thereto or any other offering material in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered, sold or distributed, directly or indirectly, and neither the Information Memorandum nor any amendment or supplement thereto or any advertisement or other offering material may be

distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. The Joint Lead Managers, any person to whom the Notes may be offered and each Noteholder must comply with all applicable laws and regulations in each jurisdiction in which it purchases, offers, sells, distributes or delivers the Notes or has in its possession or distributes the Information Memorandum or any amendment or supplement thereto or any other offering material, and will obtain or make, give or fulfil any consent, approval, registration, notice, permission or other regulatory requirement required by it or the Issuer for the purchase, offer, sale, distribution or delivery of the Notes and the possession or distribution of any of the Information Memorandum or any amendment or supplement thereto or any advertisement or other offering material under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any such purchase, offer, sale, distribution or delivery, in all cases at its own expense.

Neither the Joint Lead Managers, any person to whom the Notes may be offered nor any Noteholder is authorised to make any representation or to provide any information in connection with the issue, offering and sale of the Notes other than as contained in the Information Memorandum, the applicable terms of the Notes or such other information relating to the Issuer and/or the Notes which the Issuer has authorised to be provided.

Malaysia

A Upon Issuance

The Notes may not be offered or sold, directly or indirectly, nor may any document or other material in connection therewith be distributed, in Malaysia other than to persons, whether as principal or agent, falling within

(i) Schedule 6 (or Section 229(1)(b)) of the CMSA or Schedule 7 (or Section 230(1)(b)) of the CMSA; read together with

(ii) Schedule 9 (or Section 257(3)) of the CMSA.

B After Issuance

The Notes may not be offered or sold, directly or indirectly, nor may any document or other material in connection therewith be distributed, in Malaysia other than to persons, whether as principal or agent, falling within:

(i) Schedule 6 (or Section 229(1)) of CMSA; read together with

(ii) Schedule 9 (or Section 257(3)) of the CMSA.

Governing Law	:	Malaysia.

Final Terms

NBAD will prepare in respect of each particular issue of Notes a document titled “Final Terms” (each the applicable “**Final Terms**”) which will contain the terms of, pricing details for, and settlement and clearance procedures relating to, such issue of Notes and such other information or disclosure as NBAD considers appropriate. The applicable Final Terms may set out the full text of the terms and conditions of a particular issue of Notes if NBAD considers it necessary or appropriate.

2. Terms and Conditions of the Senior MTNs

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Final Terms, will apply to the MTNs referred to in such Final Terms and will appear on the global certificate issued in respect of the relevant MTNs and, if issued, will be incorporated by reference into or appear on each definitive certificate except to the extent they are appropriate only to the global certificate:

The implementation of the programme established by NBAD for the issue of conventional medium term notes ("**MTNs**") and Islamic securities ("**Sukuk**") of up to an aggregate nominal amount of RM3,000,000,000 ("**NBAD MYR Programme**") and the issuance of MTNs thereunder has been duly authorized by the resolution of the Board of Directors of the Issuer dated 25 July 2007. The issue has been approved by the relevant regulatory authorities of Malaysia. The MTNs are issued pursuant to a programme agreement (the "**Programme Agreement**") dated 10 June 2010 (as amended and restated on 5 July 2012) between the Issuer, The Royal Bank of Scotland Berhad as lead arranger (the "**Lead Arranger**") and as facility agent (the "**Facility Agent"**, which expression shall, wherever the context so admits, include any substitute facility agent) and Maybank Investment Bank Berhad, HSBC Bank Malaysia Berhad, HSBC Amanah Malaysia Berhad and The Royal Bank of Scotland Berhad as joint lead managers (the "**Joint Lead Managers**"). Certain provisions of these Conditions are summaries of, and are subject to, the detailed provisions of the Programme Agreement. The holders for the time being of the MTNs (the "**MTNholders**") are bound by, and are deemed to have notice of, all the provisions of the Programme Agreement and the Central Securities Depository and Paying Agency Rules. Copies of the Programme Agreement and the Central Securities Depository and Paying Agency Rules are available for inspection at the office of the Facility Agent at Level 9, Menara Maxis, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

1. Interpretation

(a) Definitions

In these terms and conditions of the Senior MTNs (the "**Conditions**"), the following expressions have the following meanings:

"**ADIs**"	financial institutions licensed under the Banking and Financial Institutions Act 1989 or the Islamic Banking Act 1983 who are members of RENTAS and authorised or approved by BNM to receive and make payments relating to debt securities and to effect transfers of debt securities;
"**Alternative Banks**"	has the meaning ascribed to it under Condition 6(b)(ii)(D) of these terms and conditions;
"**Benchmark**"	has the meaning ascribed to it under Condition 6(b)(ii) of these terms and conditions;
"**BNM**"	Bank Negara Malaysia;
"**Broken Amount**"	means the amount specified in the applicable Final

Terms as the "Broken Amount";

"**Business Day**" means a day (other than Friday, Saturday and Sunday) on which commercial banks and foreign exchange markets in Kuala Lumpur and Abu Dhabi are open for business;

"**Business Day Convention**" means either:

(a) the "Floating Rate Business Day Convention", in which case interest on a MTN shall be payable on each Specified Interest Payment Date which numerically corresponds to its Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date in the calendar month which is the Specified Period specified in the applicable Final Terms after the calendar month in which such Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date occurred, provided that:—

(A) if there is no such numerically corresponding day in the calendar month in which a Specified Interest Payment Date should occur, then the relevant Specified Interest Payment Date will be the last day which is a Business Day in that calendar month;

(B) if a Specified Interest Payment Date would otherwise fall on a day which is not a Business Day, then the relevant Specified Interest Payment Date will be the first following day which is a Business Day, unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(C) if such Interest Commencement Date or the preceding Specified Interest Payment Date occurred on the last day in a calendar month which was a Business Day, then all subsequent Specified Interest Payment Dates in respect of such MTN will be the last day which is a Business Day in the calendar month which is the Specified Period specified in the applicable Final Terms after the calendar month in which such Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date occurred; or

(b) the "Modified Following Business Day Convention", in which case interest on a MTN shall be payable on such Specified Interest Payment Dates as may be specified in the applicable Final Terms, provided that, if any Specified Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Specified Interest Payment Date will be the first following day which is a Business Day, unless that day falls in the next calendar month, in which case the relevant Specified Interest Payment Date will be the first preceding day which is a Business Day; or

(c) the "Following Business Day Convention", in which case interest on a MTN shall be payable on such Specified Interest Payment Dates as may be specified in the applicable Final Terms, provided that, if any Specified Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Specified Interest Payment Date will be the first following day which is a Business Day; or

(d) the "Preceding Business Day Convention", in which case interest on a MTN shall be payable on such Specified Interest Payment Dates as may be specified in the applicable Final Terms, provided that, if any Specified Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Specified Interest Payment Date will be the first preceding day which is a Business Day; or

(e) such other Business Day Convention as may be specified in the applicable Final Terms;

"**Central Depository**"	means MyClear as agent of BNM acting as depository in respect of the Global Certificates pursuant to the Central Securities Depository and Paying Agency Rules.
"**Central Securities Depository and Paying Agency Rules**"	means the rules and procedures governing the depository and paying agency services provided by MyClear as agent for BNM in relation to securities deposited in RENTAS.
"**Condition(s)**"	means these terms and conditions or any one of them;
"**Day Count Fraction**"	means, in respect of the calculation of an amount of interest on any MTN for any period of time (from and including the first day of such period to but excluding the last, whether or not constituting an Interest Period,

the “**Calculation Period**”):

(a) if “Actual/365” is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(b) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365;

(c) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360;

(d) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

(e) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date and, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); or

(f) such other calculation basis as is specified in the applicable Final Terms;

“**Deep Discount** means an MTN which is specified in the applicable

MTN"	Final Terms as deep discount;
"**Excluded Subsidiary**"	at any time means a Subsidiary of the Issuer which is a special purpose company whose principal assets are constituted by a project or projects and none of whose indebtedness is directly or indirectly the subject of security or a guarantee, indemnity or any other form of assurance, undertaking or support from the Issuer or any of its Principal Subsidiaries;
"**Exercise Notice**"	has the meaning ascribed to it in Condition 7(f) of these terms and conditions;
"**FAST**"	the Fully Automated System for Issuing/Tendering being an electronic tendering system operated by BNM whereby persons approved by BNM to participate in such system may submit their tenders electronically.
"**Final Terms**"	means each document titled as such and executed by, *inter alia*, NBAD in relation to each issue of MTNs to set forth the specific terms for such issue of MTNs;
"**Final Redemption Amount**"	has the meaning ascribed to it in Condition 7(a)(i) of these terms and conditions;
"**Fixed Coupon Amount**"	means the amount specified in the applicable Final Terms as the "Fixed Coupon Amount";
"**Group**"	means the Issuer and its Subsidiaries;
"**Indebtedness**"	shall be construed so as to include any obligation for the payment or repayment of money, whether present or future, actual or contingent;
"**Interest Amount**"	has the meaning ascribed to it under Condition 6(b)(v) of these terms and conditions;
"**Interest Commencement Date**"	means, in the case of the first issue of a Series of MTNs, the Issue Date of such MTNs or such other date as may be specified as the Interest Commencement Date in the applicable Final Terms and, in the case of a further issue of a Series of MTNs on substantially identical terms, the Interest Payment Date or, as the case may be, Specified Interest Payment Date in relation to such first issue immediately preceding the date on which such Series of MTNs are issued or if there is no such date, the Interest Commencement Date in respect of such first issue, or in any case such other date as may be specified as the Interest Commencement Date in the applicable Final Terms;

“**Interest Determination Date**”	means, in respect of any Interest Period, that number of days (if any) specified in the applicable Final Terms prior to the first day of such Interest Period on which the Rate of Interest is determined;
“**Interest Payment Date**”	means the date specified in the applicable Final Terms as the “Interest Payment Date”;
“**Interest Period**”	means, unless otherwise specified in the applicable Final Terms, the period beginning on and including the Interest Commencement Date to but excluding the first Specified Interest Payment Date and each successive period beginning on and including a Specified Interest Payment Date to but excluding the next succeeding Specified Interest Payment Date;
“**Issue**”	means an issue from time to time of MTNs in accordance with the provisions of the Programme Agreement;
“**Issue Date**”	means the date of Issue of a relevant Series of MTNs;
“**KLIBOR**”	means the Kuala Lumpur Interbank Offered Rate;
“**Margin**”	means the percentage rate per annum specified in the applicable Final Terms;
“**Maturity Date**”	means the date specified in the applicable Final Terms as the “Maturity Date”;
“**MTNholder**”	(in relation to a MTN) "holder" means the several persons who are for the time being the beneficial owners of the MTNs as evidenced by the records maintained by ADIs and/or a bearer of a Definitive Certificate;
“**MTNs**”	means, unless the context requires otherwise, the Senior MTNs;
“**MyClear**”	**MALAYSIAN ELECTRONIC CLEARING CORPORATION SDN BHD** (Company No. 836743-D), a wholly-owned subsidiary of BNM, incorporated in October 2008.
“**MyClear Procedures**”	the Operational Procedures for Securities Services and any other prevailing rules as may be issued by BNM or MyClear from time to time affecting the issuance and trading of the MTNs through FAST and/or on RENTAS.
“**MyClear Rules**”	means the Participation and Operation Rules for Payments and Securities Services and any other

prevailing rules as may be issued by BNM or MyClear from time to time affecting the issuance and trading of the MTNs through FAST and/or on RENTAS.

"**Notes**"	collectively the MTNs and the Sukuk issued by NBAD under the NBAD MYR Programme;
"**Permitted Security Interest**"	means any Security Interest:

(a) in respect of any Relevant Indebtedness of any member of the Group incurred:

(A) to finance the ownership, acquisition, development, redevelopment or operation of any asset; or

(B) to finance or facilitate the receipt of any specified revenues or receivables,

in respect of which the person or persons to whom any such Relevant Indebtedness is or may be owed (for the purposes of this definition the ''**Lender''**) by such member of the Group (for the purposes of this definition the "'**Borrower**"') has or have no recourse whatsoever to any other member of the Group for the repayment thereof other than:

(i) recourse to the relevant Borrower for amounts limited to the cash flow or the net cash flow from such asset, revenues or receivables, as the case may be; and/or

(ii) recourse to the proceeds of enforcement of any Security Interest (x) given by such Borrower over such asset, revenue or receivable or the income, cash flow or other proceeds deriving therefrom ("**Relevant Property"**) and/or (y) given by any owner of voting equity interest in a Borrower over such equity interest ("**Related Property**") to secure such Relevant Indebtedness provided that the extent of such recourse to such Borrower is limited solely to the amount of any recoveries made in respect of such enforcement, or

(b) securing Relevant Indebtedness of any person existing at the time that such person is acquired by or merged into or consolidated with any member of the Group, provided, however, that such Security Interest was not created in contemplation of such acquisition, merger or consolidation and does not extend to any assets or property of any member of the Group other than that of such person prior to such acquisition, merger or consolidation, as the case may be;

"**Principal Subsidiary**" means a Subsidiary of the Issuer (not being an Excluded Subsidiary):

(a) whose total assets represent not less than 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole; or

(b) whose external turnover is more than 10 per cent. of the consolidated turnover of the Issuer and its Subsidiaries taken as a whole,

(all as calculated by reference to the then latest audited consolidated accounts of the Issuer); or

(c) to which is transferred all or substantially all of the business, undertaking or assets of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary whereupon the transferor Subsidiary shall immediately cease to be a Principal Subsidiary and the transferee Subsidiary shall immediately become a Principal Subsidiary but shall cease to be a Principal Subsidiary under this sub-paragraph (c) (but without prejudice to the provisions of sub-paragraph (a) or (b) above) upon publication of its next audited accounts.

A report by the Chief Executive and the General Manager and Chief Operating Officer (or any person who at any time carries out the equivalent function of any such person (regardless of such person's title)) of the Issuer that in their opinion a Subsidiary of the Issuer is or was or was not at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"**Proceedings**" has the meaning ascribed to it in Condition 15 of these terms and conditions;

“**Rate(s) of Interest**”	means the rate specified in the applicable Final Terms as the “Rate(s) of Interest”;
“**Rate Multiplier**”	means the percentage rate or number applied to the relevant Benchmark Rate, as specified in the applicable Final Terms;
“**Relevant Date**”	in respect of any MTN means the date on which payment of principal and interest due in respect of such MTN is made in full;
“**Reference Rate**”	means, for any MTN the interest basis of which is specified as Floating Rate, the bid, offered or mean of bid and offered rate, as specified in the applicable Final Terms, for the Rate of Interest specified in such Final Terms;
“**Relevant Indebtedness**”	means any Indebtedness having an original maturity of more than one year which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which (with the consent of the issuer thereof) are for the time being listed or traded on a stock exchange or other recognised securities market other than any notes, bonds or other debt securities issued by an acquired Subsidiary prior to the date of the acquisition and not issued in contemplation of such acquisition;
“**Relevant Time**”	means the local time in Kuala Lumpur at which it is customary to determine bid, offered and mean rates in respect of deposits in Ringgit in the interbank money market;
“**RENTAS**”	the scripless book-entry securities trading and funds transfer system known as Real Time Electronic Transfer of Funds and Securities System maintained by BNM as varied, upgraded or substituted from time to time;
“**RENTAS Rules**”	Rules on Scripless Securities under RENTAS, 2006 issued by BNM, as may be modified, revised or substituted from time to time by BNM;
“**RULES**”	(a) the RENTAS rules; (b) the Rules on the FAST for Issuing/Tendering 2006 issued by BNM and as modified or revised or substituted from time to time by BNM; and/or (c) the MyClear Procedures and MyClear Rules as modified or revised or substituted from time to

time,

whichever is applicable.

"**Security Interest**"	means any mortgage, charge, lien, pledge or other security interest (other than (i) arising solely by operation of law or (ii) a Permitted Security Interest);
"**Series**"	a series of MTNs having identical terms;
"**Specified Denominations**"	means denominations specified in the applicable Final Terms;
"**Specified Interest Payment Date**"	means either: (a) each date which falls in the Specified Period specified in the applicable Final Terms after the preceding Specified Interest Payment Date or, in the case of the first Specified Interest Payment Date, after the Interest Commencement Date; or (b) as is otherwise specified as such in the applicable Final Terms, in each case as adjusted by the Business Day Convention specified in such Final Terms;
"**Subsidiary**"	means any entity whose financial statements at any time are required by law or in accordance with relevant generally accepted accounting principles to be fully consolidated with those of the Issuer;
"**Sukuk**"	means, unless the context requires otherwise, the Senior Sukuk;
"**Variable Redemption Amount**"	has the meaning ascribed to it in Condition 7(d) of these terms and conditions; and
"**Zero Coupon MTN**"	means an MTN, the interest basis for which is specified in the applicable Final Terms as zero coupon.

(b) Terms defined in the Programme Agreement shall have the same meanings when used herein unless they are otherwise defined herein or the context otherwise requires.

2. Form, Denomination and Title

(a) The MTNs, unless exchanged for definitive certificates ("**Definitive Certificates**") pursuant to Clause 9 of the Programme Agreement, are represented by a global certificate (the "**Global Certificate"**) in bearer form. The Global Certificate will be deposited with the Central Depository. Owners of beneficial interests in the MTNs will not be entitled to receive physical delivery of the Global Certificate. Definitive Certificates, if issued, shall be in Specified Denominations.

(b) Title to the MTNs passes by delivery. The Issuer will treat the holder of the Global Certificate as the absolute owner of the Global Certificate, free of any equity, set-off or counterclaim on the part of the Issuer against the original or any intermediate holder of such certificate (whether or not the MTNs represented by such certificate shall become overdue and notwithstanding any notation of ownership or other writing thereon or any notice of previous loss or theft of such certificate) for all purposes save as otherwise herein provided in relation to the Global Certificate and, except as ordered by a court of competent jurisdiction or as required by applicable law, the Issuer shall not be affected by any notice to the contrary. All payments made to any such holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for the moneys payable upon the MTNs.

(c) Transfers of beneficial interests in the MTNs will be effected through records maintained by the Central Depository and the Authorised Depository Institutions ("**ADIs**") appointed by the Central Depository in accordance with the RULES. Transfers of such interests will be subject to compliance by the transferor and the transferee with the RULES. Any transfer of interests in the MTNs shall be subject to the Selling Restrictions contained in and endorsed on the Global Certificate.

3. Status

The MTNs are unsubordinated and unsecured obligations of the Issuer ranking pari passu and without any preference among themselves and pari passu with all other outstanding unsecured and unsubordinated obligations for borrowed money of the Issuer.

4. Negative Pledge

So long as any MTN remains outstanding, the Issuer will not, and will ensure that none of its Principal Subsidiaries will create, or have outstanding any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or payment under any guarantee or indemnity granted by the Issuer or any Principal Subsidiary in respect of any Relevant Indebtedness without at the same time or prior thereto according to the MTNs and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution of the MTNholders.

5. Payments

(a) Subject to any fiscal or other laws or regulations applicable to the Paying Agent, all payments in respect of the MTNs will be made in Ringgit in accordance with the RULES or in such manner as the Paying Agent and the Issuer may agree. Every payment to the Paying Agent in respect of the MTNs in the manner provided in the Central Securities Depository and Paying Agency Rules shall operate in satisfaction pro tanto of the payment obligations of the Issuer in respect of the principal amount of the MTNs and the relevant interest payment as the case may be.

(b) If the Global Certificate has been exchanged for Definitive Certificates, payment to each MTNholder shall be made upon presentation of the Definitive Certificates (for interest payments other than the final interest payment) or against surrender of the Definitive Certificates (for the final interest payment and for principal payment).

6. Interest

One or more of the following provisions apply to each MTN, as specified in the applicable Final Terms.

(a) *Fixed Rate:* The following provisions in this Condition 6(a) apply to a MTN the interest basis for which is specified in the applicable Final Terms as being “Fixed Rate”.

Each MTN bearing interest at a Fixed Rate bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest as specified in the applicable Final Terms, payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date specified in such Final Terms, if such date does not fall on an Interest Payment Date. The amount(s) of interest payable in respect of such MTN may be specified in the applicable Final Terms as the Fixed Coupon Amount(s) or the Broken Amount.

The first payment of interest on a MTN will be made on the Interest Payment Date next following the relevant Interest Commencement Date. If the period between the Interest Commencement Date and the first Interest Payment Date is different from the period between Interest Payment Dates, the first payment of interest on a MTN will be the amount specified on the relevant MTN as being the initial Broken Amount. If the Maturity Date is not an Interest Payment Date, interest from and including the preceding Interest Payment Date (or from and including the Interest Commencement Date, as the case may be) to but excluding the Maturity Date will be the amount specified on the relevant MTN as being the final Broken Amount.

Interest in respect of a period which is different from the period between Interest Payment Dates (or, in the case of the first interest period, the period between the Interest Commencement Date and the first Interest Payment Date) will be calculated using the applicable Day Count Fraction.

Interest will cease to accrue on each MTN on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused, in which event interest will continue to accrue at the specified Rate of Interest and in the manner provided in this Condition 6(a) to the Relevant Date.

(b) *Floating Rate:*

The following provisions in this Condition 6(b) apply to a MTN the interest basis for which is specified in the applicable Final Terms as being “Floating Rate”.

(i) Specified Interest Payment Dates:

Each MTN bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date in respect thereof at the rate per annum (expressed as a percentage) equal to the Rate of Interest calculated in accordance with this Condition 6(b) and such interest will be payable in arrear on each Specified Interest Payment Date.

Interest will cease to accrue on each MTN on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused, in which event interest will continue to accrue at the Rate of Interest and in the manner provided in this Condition 6(b) to the Relevant Date.

(ii) Rate of Interest:

Each MTN bears interest at the Rate(s) of Interest which shall be a floating rate or rates of interest equal to (i) the Benchmark Rate adjusted, if necessary, by any Margin and/or any Rate Multiplier in accordance with Condition 6(b)(v), or (ii) such other rate or rates calculated as specified in the applicable Final Terms. The Benchmark Rate (if any) in respect of an MTN may be calculated by reference to KLIBOR or one or more other interest rates, exchange rates, stock market or commodities indices (each a “**Benchmark**”). The dates on which interest shall be payable on an MTN, the basis for calculation of each amount of interest payable in respect of such MTN on each such date and on any other date on which interest becomes payable in respect of such MTN, and the rate (or the basis of calculation of such rate) at which interest will accrue in respect of any overdue principal shall be as set out below, unless otherwise specified in the applicable Final Terms. Unless otherwise specified in the applicable Final Terms, the Rate of Interest and Interest Amount payable on the MTN on each Specified Interest Payment Date shall be determined by the Calculation Agent at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period on the basis of the following provisions:

(A) If the applicable Final Terms specifies that the “Primary Source for Floating Rate” shall be a specified page, section or other part of a particular information service (each as specified in the applicable Final Terms), then the Benchmark Rate for such Interest Period, subject as provided below, shall be (x) the Reference Rate so appearing in or on that page, section or other part of such information service (where such Reference Rate is a composite quotation of interest rates per annum or is customarily supplied by one entity) or (y) if no composite quotation so appears, the arithmetic mean of the individual Reference Rates at that time appearing in or on that page, section or other part of such information service, in any such case in respect of deposits for a period equal to the duration of such Interest Period.

(B) If the applicable Final Terms specifies that the “Primary Source for Floating Rate” shall be the Reference Banks identified in such Final Terms or in the case of a MTN in respect of which paragraph (A) above is applicable but (x) no Reference Rate appears at or about such Relevant Time or (y) fewer than two Reference Rates appear at or about such Relevant Time, then the Calculation Agent shall request the Reference Banks specified in the applicable Final Terms (or, as the case may be, any Reference Bank appointed from time to time pursuant to Condition 6(b)(vii)) to provide the Calculation Agent with its Reference Rate quoted to leading banks for deposits in the relevant Specified Currency for a period equivalent to the duration of the relevant Interest Period. Where this Condition 6(b)(ii)(B) shall apply, the Benchmark Rate for the relevant Interest Period shall, subject as provided below, be the arithmetic mean of such Reference Rates as calculated by the Calculation Agent.

(C) If, at or about the Relevant Time on any Interest Determination Date where the Benchmark Rate in respect of a MTN is to be determined pursuant to Condition 6(b)(ii)(B), only two or three of such Reference Banks provide such relevant quotations, then the Benchmark Rate for the relevant Interest Period shall, subject as provided below, be the arithmetic mean of the Reference Rates quoted by such Reference Banks as calculated by the Calculation Agent.

(D) If at or about the Relevant Time on any Interest Determination Date where the Benchmark Rate is to be determined pursuant to Condition 6(b)(ii)(B), fewer than two of such Reference Banks provide such Reference Rates, then the Calculation Agent shall, after consultation with the Issuer, select four or more banks carrying on business in Kuala Lumpur (the “**Alternative Banks**”), and the Benchmark Rate for the relevant Interest Period shall, subject as provided below, be whichever is the higher of:

(1) the Benchmark Rate in effect for the last preceding Interest Period to which Condition 6(b)(ii)(A), (B) or (C) shall have applied; and

(2) the rate per annum (expressed as a percentage) which the Calculation Agent determines to be the arithmetic mean of the Reference Rate quoted by such Reference Bank (if any) and the Reference Rates which such Alternative Banks are quoting at or about the Relevant Time on the relevant Interest Determination Date for a period equivalent to the duration of such Interest Period to other leading banks carrying on business in Kuala Lumpur; provided, however, that if the Calculation Agent is unable to select the requisite number of Alternative Banks or if the Alternative Banks so selected by the Calculation Agent are not quoting as aforesaid, then the Benchmark Rate shall be the Benchmark Rate determined in accordance with paragraph (1) of this Condition 6(b)(ii)(D).

(iii) Minimum/Maximum Rates:

If the applicable Final Terms specifies a Minimum Rate of Interest, then the Rate of Interest shall in no event be less than such Minimum Rate of Interest, and if the applicable Final Terms specifies a Maximum Rate of Interest, then the Rate of Interest shall in no event exceed such Maximum Rate of Interest.

(iv) Rounding:

The Calculation Agent shall, if necessary, round any Rate of Interest to the nearest one-hundred thousandth of one percent.

(v) Determination of Rate of Interest and Calculation of Interest Amounts:

As soon as practicable after the Relevant Time on each Interest Determination Date or such other time, the Calculation Agent will obtain any quote or rate or make any determination or calculation, determine the Rate of Interest and calculate the amount of interest payable (the "**Interest Amount**") in respect of each Specified Denomination for the relevant Interest Period. Interest Amount(s) shall be calculated by applying the Benchmark Rate, adjusted, if necessary, by any Margin and/or any Rate Multiplier (or such other rate or rates calculated as specified in the applicable Final Terms), to the Specified Denomination and multiplying such product by the applicable Day Count Fraction(s) and rounding, if necessary, the resultant figure to the nearest sen (half of such unit being rounded upwards). The determination of the Rate of Interest and the Interest Amounts and the obtaining of any quote or rate, and the making of any determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

(vi) Notification of Rate of Interest and Interest Amounts:

The Calculation Agent will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Specified Interest Payment Date to be provided to the Issuer and the Paying Agent as soon as possible after their determination but in no event later than two Business Days after the date of their determination. The Calculation Agent will also cause the same information to be provided to MTNholders in accordance with Condition 13 as soon as possible after its determination but, unless otherwise provided in the applicable Final

Terms, in no event later than the seventh calendar day thereafter. The Interest Amounts and the Specified Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(vii) Calculation Agent and Reference Banks:

The Issuer will ensure that, as long as any MTN to which this Condition 6(b) applies remains outstanding, there shall always be a Calculation Agent for such MTN and so long as the Primary Source for Floating Rate for such MTN is Reference Banks, and unless otherwise provided in the applicable Final Terms, there shall at all times be at least four Reference Banks for such MTN. In the case of any MTN in respect of which Condition 6(b)(ii)(A) applies but no Reference Rate appears at or about the Relevant Time, or fewer than two Reference Rates appear at or about the Relevant Time and the Issuer has not appointed at least four Reference Banks, the Issuer will, after consulting with the Calculation Agent, identify at least four Reference Banks for such MTN. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer will use reasonable endeavours to appoint another Reference Bank to act as Reference Bank in its place. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts, then the Issuer will appoint a leading bank engaged in the interbank money market to act as Calculation Agent in its place. With respect to any MTN at any time outstanding, the Calculation Agent thereof may not resign its duties unless a successor has been appointed and the appointment has been made effective.

(c) *Zero Coupon and Deep Discount MTNs:* In the case of a MTN the interest basis for which is specified in the applicable Final Terms as zero coupon (a "**Zero Coupon MTN**"), references to the amount of interest payable in respect of a MTN (other than as provided in Condition 10), are not applicable. If, upon the presentation of such a MTN, or of a MTN which is specified in the applicable Final Terms as deep discount (a "**Deep Discount MTN**") on or after the Maturity Date, payment of principal is improperly withheld or refused, interest shall accrue (on the same basis as that referred to in Condition 6(a)) on such MTN from the Maturity Date to the Relevant Date at a rate per annum (expressed as a percentage) equal to the Amortization Yield specified in the applicable Final Terms.

(d) *Withholding Tax:* In the event that any withholding tax is imposed in respect of interest payments made by the Issuer, the sum payable by the Issuer shall be increased to the extent necessary to ensure that the relevant payee receives a sum net of any withholding equal to the sum which it would have received had no such withholding been made or required to be made.

(e) *RULES*: The foregoing provisions shall be subject to the RULES. In the event of any inconsistency the RULES shall prevail.

7. Redemption, Purchase and Options

(a) *Final Redemption and Redemption by Installments:*

(i) Unless previously redeemed or purchased and cancelled as provided in this Condition 7, each MTN shall be redeemed in full on the Maturity Date or in the Redemption Month specified in the applicable Final Terms at its redemption amount (which, unless otherwise provided in this Condition 7 or in the applicable

Final Terms, is its nominal amount) ("**Final Redemption Amount**") or, in the case of a MTN in respect of which subparagraph (ii) below applies, its final Installment Amount.

(ii) Unless previously redeemed or purchased and cancelled as provided in this Condition 7, each MTN that provides for Installment Dates and Installment Amounts shall be partially redeemed on each Installment Date at the related Installment Amount specified in the applicable Final Terms or, if so provided in the applicable Final Terms, determined by the Calculation Agent. Upon payment in full of any Installment Amount, the outstanding nominal amount of each such MTN shall be reduced by such Installment Amount (or, if such Installment Amount is calculated by reference to a proportion of the nominal amount of such MTN, such proportion) for all purposes with effect from the related Installment Date, unless payment of the Installment Amount is improperly withheld or refused on presentation of the related Receipt, in which case such amount shall remain outstanding until the Relevant Date relating to such Installment Amount.

(b) *Purchases*: The Issuer and any of its Subsidiaries may at any time purchase or otherwise acquire MTNs at any price in the open market or otherwise.

(c) *Early Redemption of Zero Coupon MTNs and Deep Discount MTNs:*

(i) The redemption amount payable in respect of any MTN the interest basis of which is specified in the applicable Final Terms to be Zero Coupon, or of any Deep Discount MTN, at any time prior to its stated Maturity Date or upon it becoming due and payable as provided in Condition 9, shall be the Amortized Face Amount (calculated as provided below) of such MTN.

(ii) Subject to the provisions of sub-paragraph (iii) below, the Amortized Face Amount of any Zero Coupon MTN, or of any Deep Discount MTN, shall be the sum of (A) the Reference Price specified in the applicable Final Terms and (B) the aggregate amortization of the difference between the Reference Price and the nominal amount of the MTN from the Issue Date to the date on which the MTN becomes due and payable, calculated using a rate per annum (expressed as a percentage) equal to the Amortization Yield applied to the Reference Price in the manner specified in such Final Terms. Where the specified calculation is to be made for a period of less than a full year it shall be made using the applicable Day Count Fraction.

(iii) If the redemption amount payable in respect of any such MTN upon it becoming due and payable as provided in Condition 10 is not paid when due, the redemption amount due and payable in respect of such MTN shall be the Amortized Face Amount of such MTN as defined in sub-paragraph (ii) above, except that such sub-paragraph shall have effect as though the reference therein to the date on which the MTN becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortized Face Amount in accordance with this sub-paragraph shall continue to be made (before and, to the extent permitted by applicable law, after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled redemption amount of such MTN on the Maturity Date together with any interest that may accrue in accordance with Condition 6(c).

(d) *Redemption of MTNs with Variable Redemption Amount:* The basis for calculation of the amount payable upon redemption of a MTN with a redemption amount which is variable ("**Variable Redemption Amount**") shall be specified in the applicable Final Terms and determined in accordance with Condition 7(h).

(e) *Redemption at the Option of the Issuer and Exercise of Issuer's Options (Call Option):* If so provided in the applicable Final Terms, the Issuer may at its option, subject to compliance with all relevant laws, regulations and directives, on giving to the holder of such MTN irrevocable notice in accordance with Condition 13 of not less than 30 nor more than 45 days (or such other notice period as specified in the applicable Final Terms) redeem all or, if so specified in the applicable Final Terms, some of the Series of MTNs of which such MTN forms part, on the Optional Redemption Date(s) specified in the applicable Final Terms (which shall, in the case of a MTN which has applicable to it at the time of redemption an interest basis which is specified in the applicable Final Terms as Floating Rate, be a Specified Interest Payment Date) at the amount specified on such date as the Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption. All MTNs in respect of which any such notice is given shall be redeemed on the Optional Redemption Date(s) specified in such notice in accordance with this Condition 7(e).

In the case of a partial redemption or a partial exercise of the Issuer's option, the notice to MTNholders shall also contain the certificate or serial numbers of the MTNs to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place as the Facility Agent may approve and in such manner as may be agreed between the Issuer and the Facility Agent, taking account of prevailing market practice, and subject to compliance with any applicable laws and stock exchange requirements.

(f) *Redemption at the Option of MTNholders and Exercise of MTNholders' Options (Put Option):* If so provided in the applicable Final Terms, the Issuer shall, subject to compliance with all relevant laws, regulations and directives, at the option of the holder of such MTN, redeem such MTN on the Optional Redemption Date(s) specified in the applicable Final Terms (which shall, in the case of a MTN which has applicable to it at the time of redemption an interest basis which is specified in such MTN as Floating Rate, be a Specified Interest Payment Date) at the amount specified in the applicable Final Terms as the Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption.

To exercise such options or any other MTNholders' option that may be specified in the applicable Final Terms, the holder must deposit a duly completed option exercise notice ("**Exercise Notice**") at the office of the Facility Agent in the form obtainable from the Facility Agent not more than 60 nor less than 45 days (or such other deposit period as may be specified in the applicable Final Terms) prior to the relevant date for redemption. No MTN, Certificate or Exercise Notice so deposited may be withdrawn without the prior consent of the Issuer and the Facility Agent.

(g) *Cancellation:* The Issuer will be entitled to hold and deal with any MTNs purchased or acquired by it which may be surrendered, for cancellation or not, at the Issuer's discretion. Any MTNs so surrendered for cancellation may not be reissued or resold, and the obligations of the Issuer in respect of any such MTNs shall be discharged.

(h) *Determination of Installment Amount or Variable Redemption Amount:* If the applicable Final Terms provides that any Installment Amount, Variable Redemption Amount or premium are to be determined by the Calculation Agent (or another person), then on or prior to each date the Calculation Agent (or such other person) is required to determine each such Installment Amount, Variable Redemption Amount or premium, the Calculation Agent (or such other person) will obtain any quote or rate, or make any other determination or calculation as may be required, and will determine such Installment Amount, Variable Redemption Amount or premium in accordance with the applicable Final Terms. The determination of such Installment Amount, Variable Redemption Amount or premium, and the obtaining of any quote or rate, by the Calculation Agent (or such other person) shall (in the absence of manifest error) be final and binding upon all parties. The Calculation Agent (or such other person) shall cause to be provided to the Issuer, the Facility Agent and the relevant MTNholders (in accordance with Condition 13), the Installment Amounts, Variable Redemption Amounts or premium determined by it as soon as possible after their determination but in no event later than two Business Days after the date of their determination.

8. Prescription

Claims against the Issuer for payment in respect of the MTNs shall be prescribed and become void unless made within six years of the date in respect of which the relevant payment first becomes due.

9. Event of Default

If any of the following events ("**Events of Default**") occurs, the MTNholders may give written notice to the Facility Agent at its specified office that such MTN is immediately repayable, whereupon the Final Redemption Amount or, in the case of a MTN in respect of which Condition 7(a)(ii) applies, all outstanding Installment Amounts, of such MTN together with accrued interest to the date of payment shall become immediately due and payable:

(a) default is made for more than 14 days (in the case of interest) or 7 days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the MTNs; or

(b) the Issuer does not perform or comply with any one or more of its other obligations in respect of the MTNs which default is incapable of remedy, or, if it is capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the Facility Agent at their offices by any MTNholder; or

(c) the interest of the Government of Abu Dhabi either directly or indirectly in the share capital of the Issuer falls below 51%; or

(d) (i) any other present or future indebtedness of the Issuer or any of its Principal Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (d) have occurred equals or exceeds U.S.$15,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

(e) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 90 days; or

(f) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any of its Principal Subsidiaries, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution; or

(g) the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution, or the Issuer or any of its Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(h) any court or other formal proceedings are initiated against the Issuer or any of its Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Issuer or the relevant Principal Subsidiary, as the case may be), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Principal Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and in any case (other than the appointment of an administrator) is not discharged within 30 days; or

(i) the Issuer or any of its Principal Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(j) any event occurs which under the laws of the United Arab Emirates or any Emirate therein or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (d) to (h) above; or

(k) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the MTNs, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the MTNs admissible in evidence in the courts of the United Arab Emirates or any Emirate therein is not taken, fulfilled or done; or

(l) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the MTNs or any of the material obligations of the Issuer thereunder are not or cease to be legal, valid, binding or enforceable.

10. Acquisition of Direct Rights

Upon the occurrence of an Event of Default or the Central Depository having notified the Issuer that it is unable or unwilling to act as depository for the MTNs and to continue performing its duties set out in the Central Securities Depository and Paying Agency Rules, the Global Certificate becomes exchangeable for Definitive Certificates and, if not so exchanged when required by a MTNholder then, without prejudice to any other rights which such MTNholder may have and without the need for any further action on behalf of any person, such MTNholder shall automatically acquire against the Issuer all those rights which such holder would have had if, immediately before the time at which the Global Certificate becomes exchangeable for Definitive Certificates, it had been the holder and beneficial owner of duly executed and authenticated Definitive Certificates in respect of interests in the Global Certificate representing the MTNs held by such MTNholder, including, but without limitation, the right to receive payments of principal, interest and any other amounts due at any time in respect of such Definitive Certificates, other than payments corresponding to any already made under the Global Certificate. A MTNholder may assign its rights hereunder in whole or in part.

11. Replacement of Certificates

If the Global Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and regulations, and the terms of the Programme Agreement, at the specified office of the Facility Agent in Malaysia, or such other agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to MTNholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia,* that if the allegedly lost, stolen or destroyed certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of the MTNs represented by such certificate) and otherwise as the Issuer may require. Mutilated or defaced MTNs must be surrendered before replacements will be issued.

12. Further Issues

The Issuer may from time to time without the consent of the MTNholders or Facility Agent, create and issue further securities either having the same terms and conditions as the MTNs in all respects (or in all respects except for the first payment of interest on them) so as to form a single issue and so that such further issue shall be consolidated and form a single series with the outstanding securities of any Series, or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the MTNs include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single Series of the MTNs.

13. Notices

All notices regarding the MTNs shall be validly given if published in a leading daily newspaper printed in the English language of general circulation in Malaysia or by publication through any electronic information dissemination system operated by the Central Depository, such as FAST.

Notices to be given by any MTNholder pursuant hereto (including to the Issuer) shall be in writing and given by lodging the same with the Facility Agent.

The Issuer will give notice in the manner herein provided on the occurrence of any Event of Default or the occurrence of any event which would materially and adversely affect the ability of the Issuer to make any payment due on the MTNs.

All notices shall be given in the English language.

14. Meetings of MTNholders

The Programme Agreement contains provisions for convening meetings of MTNholders to consider matters affecting their interests, including the modification of any of the terms of the MTNs. Any such modification may be made if sanctioned by an Extraordinary Resolution. The quorum for any meeting convened to consider an Extraordinary Resolution will be persons holding or representing a clear majority in principal amount of the MTNs for the time being outstanding, or at any adjourned meeting, two or more persons being or representing MTNholders whatever the principal amount of the MTNs held or represented, unless the business of such meeting includes consideration of proposals, *inter alia,* (i) to postpone the maturity of the MTNs or the dates on which interest is payable in respect of the MTNs or the dates on which profit is payable in respect of the Sukuk, (ii) to reduce or cancel the principal amount of, or interest on the MTNS or to reduce or cancel the principal amount of, profit on, the Sukuk, (iii) to change the currency of payment of the MTNs or (iv) to modify the provisions concerning the quorum required at any meeting of MTNholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent, or at any adjourned meeting not less than 25 per cent, in principal amount of the MTNs for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all MTNholders (whether or not they were present at the meeting at which such resolution was passed).

15. Governing Law and Jurisdiction

The MTNs are governed by, and shall be construed in accordance with, the laws of Malaysia.

The courts of Malaysia are to have jurisdiction to settle any disputes which may arise out of or in connection with the MTNs and accordingly any legal action or proceedings arising out of or in connection with the MTNs ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to any Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

16. Agent for Service of Process

The Issuer irrevocably appoints Messrs. Kadir, Andri & Partners (Address: 8th Floor, Menara Safuan, 80, Jalan Ampang, 50450 Kuala Lumpur, Malaysia) as its authorized agent for service of process in Malaysia. If for any reason such agent shall cease to be such agent for the service of process, the Issuer shall forthwith appoint a new agent for service of process in Malaysia and (a) deliver to the Facility Agent a copy of the new agent's acceptance of that appointment within 30 days, and (b) publish a notice, in accordance with Condition 13, of such new appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

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3. Terms and Conditions of the Subordinated MTNs

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Final Terms, will apply to the Subordinated MTNs referred to in such Final Terms and will appear on the global certificate issued in respect of the relevant Subordinated MTNs and, if issued, will be incorporated by reference into or appear on each definitive certificate except to the extent they are appropriate only to the global certificate:

The implementation of the programme established by NBAD for the issue of conventional medium term notes ("**MTNs**") and Islamic securities ("**Sukuk**") of up to an aggregate nominal amount of RM3,000,000,000 ("**NBAD MYR Programme**") and the issuance of MTNs thereunder has been duly authorized by the resolution of the Board of Directors of the Issuer dated 25 July 2007. The issue has been approved by the relevant regulatory authorities of Malaysia. The MTNs are issued pursuant to a programme agreement (the "**Programme Agreement**") dated 10 June 2010 (and amended and restated on 5 July 2012) between the Issuer, The Royal Bank of Scotland Berhad as lead arranger (the "**Lead Arranger**") and as facility agent (the "**Facility Agent"**, which expression shall, wherever the context so admits, include any substitute facility agent) and Maybank Investment Bank Berhad, HSBC Bank Malaysia Berhad, HSBC Amanah Malaysia Berhad and The Royal Bank of Scotland Berhad as joint lead managers (the "**Joint Lead Managers**"). Certain provisions of these Conditions are summaries of, and are subject to, the detailed provisions of the Programme Agreement. The holders for the time being of the Subordinated MTNs (the "**Subordinated MTNholders**") are bound by, and are deemed to have notice of, all the provisions of the Programme Agreement and the Central Securities and Depository Paying Agency Rules. Copies of the Programme Agreement and the Central Securities and Depository Paying Agency Rules are available for inspection at the office of the Facility Agent at Level 9, Menara Maxis, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

1. Interpretation

(a) Definitions

In these terms and conditions of the Subordinated MTNs (the "**Conditions**"), the following expressions have the following meanings:

"**ADIs**"	financial institutions licensed under the Banking and Financial Institutions Act 1989 or the Islamic Banking Act 1983 who are members of RENTAS and authorised or approved by BNM to receive and make payments relating to debt securities and to effect transfers of debt securities;
"**Alternative Banks**"	has the meaning ascribed to it under Condition 5(b)(ii)(D) of these terms and conditions;
"**Benchmark**"	has the meaning ascribed to it under Condition 5(b)(ii) of these terms and conditions;
"**BNM**"	Bank Negara Malaysia;
"**Broken Amount**"	means the amount specified in the applicable Final

Terms as the “Broken Amount”;

“**Business Day**”	means a day (other than Friday, Saturday and Sunday) on which commercial banks and foreign exchange markets in Kuala Lumpur and Abu Dhabi are open for business;
“**Business Day Convention**”	means either:

(a) the “Floating Rate Business Day Convention”, in which case interest on a Subordinated MTN shall be payable on each Specified Interest Payment Date which numerically corresponds to its Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date in the calendar month which is the Specified Period specified in the applicable Final Terms after the calendar month in which such Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date occurred, provided that:—

(A) if there is no such numerically corresponding day in the calendar month in which a Specified Interest Payment Date should occur, then the relevant Specified Interest Payment Date will be the last day which is a Business Day in that calendar month;

(B) if a Specified Interest Payment Date would otherwise fall on a day which is not a Business Day, then the relevant Specified Interest Payment Date will be the first following day which is a Business Day, unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(C) if such Interest Commencement Date or the preceding Specified Interest Payment Date occurred on the last day in a calendar month which was a Business Day, then all subsequent Specified Interest Payment Dates in respect of such Subordinated MTN will be the last day which is a Business Day in the calendar month which is the Specified Period specified in the applicable Final Terms after the calendar month in which such Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date occurred; or

(b) the "Modified Following Business Day Convention", in which case interest on a Subordinated MTN shall be payable on such Specified Interest Payment Dates as may be specified in the applicable Final Terms, provided that, if any Specified Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Specified Interest Payment Date will be the first following day which is a Business Day, unless that day falls in the next calendar month, in which case the relevant Specified Interest Payment Date will be the first preceding day which is a Business Day; or

(c) the "Following Business Day Convention", in which case interest on a Subordinated MTN shall be payable on such Specified Interest Payment Dates as may be specified in the applicable Final Terms, provided that, if any Specified Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Specified Interest Payment Date will be the first following day which is a Business Day; or

(d) the "Preceding Business Day Convention", in which case interest on a Subordinated MTN shall be payable on such Specified Interest Payment Dates as may be specified in the applicable Final Terms, provided that, if any Specified Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Specified Interest Payment Date will be the first preceding day which is a Business Day; or

(e) such other Business Day Convention as may be specified in the applicable Final Terms;

"**Central Depository**"	means MyClear as agent of BNM acting as depository in respect of the Global Certificates pursuant to the Central Securities Depository and Paying Agency Rules.
"**Central Securities Depository and Paying Agency Rules**"	means the rules and procedures governing the depository and paying agency services provided by MyClear as agent for BNM in relation to securities deposited in RENTAS.
"**Condition(s)**"	means these terms and conditions or any one of them;
"**Day Count Fraction**"	means, in respect of the calculation of an amount of interest on any Subordinated MTN for any period of

time (from and including the first day of such period to but excluding the last, whether or not constituting an Interest Period, the "**Calculation Period**"):

(a) if "Actual/365" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(b) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365;

(c) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360;

(d) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

(e) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date and, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); or

(f) such other calculation basis as is specified in the applicable Final Terms;

"**Deep Discount MTN**"	means an Subordinated MTN which is specified in the applicable Final Terms as deep discount;
"**Depository Procedures**"	means procedures established from time to time by the Central Depository;
"**Exercise Notice**"	has the meaning ascribed to it in Condition 6(f) of these terms and conditions;
"**FAST**"	the Fully Automated System for Issuing/Tendering being an electronic tendering system operated by BNM whereby persons approved by BNM to participate in such system may submit their tenders electronically.
"**Final Terms**"	means each document titled as such and executed by, *inter alia*, NBAD in relation to each issue of Subordinated MTNs to set forth the specific terms for such issue of Subordinated MTNs;
"**Final Redemption Amount**"	has the meaning ascribed to it in Condition 6(a)(i) of these terms and conditions;
"**Fixed Coupon Amount**"	means the amount specified in the applicable Final Terms as the "Fixed Coupon Amount";
"**Interest Amount**"	has the meaning ascribed to it under Condition 6(b)(v) of these terms and conditions;
"**Interest Commencement Date**"	means, in the case of the first issue of a Series of Subordinated MTNs, the Issue Date of such Subordinated MTNs or such other date as may be specified as the Interest Commencement Date in the applicable Final Terms and, in the case of a further issue of a Series of Subordinated MTNs on substantially identical terms, the Interest Payment Date or, as the case may be, Specified Interest Payment Date in relation to such first issue immediately preceding the date on which such Series of Subordinated MTNs are issued or if there is no such date, the Interest Commencement Date in respect of such first issue, or in any case such other date as may be specified as the Interest Commencement Date in the applicable Final Terms;
"**Interest Determination Date**"	means, in respect of any Interest Period, that number of days (if any) specified in the applicable Final Terms prior to the first day of such Interest Period on which the Rate of Interest is determined;
"**Interest Payment Date**"	means the date specified in the applicable Final Terms as the "Interest Payment Date";

“**Interest Period**”	means, unless otherwise specified in the applicable Final Terms, the period beginning on and including the Interest Commencement Date to but excluding the first Specified Interest Payment Date and each successive period beginning on and including a Specified Interest Payment Date to but excluding the next succeeding Specified Interest Payment Date;
“**Issue**”	means an issue from time to time of Subordinated MTNs in accordance with the provisions of the Programme Agreement;
“**Issue Date**”	means the date of Issue of a relevant Series of Subordinated MTNs;
“**KLIBOR**”	means the Kuala Lumpur Interbank Offered Rate;
“**Margin**”	means the percentage rate per annum specified in the applicable Final Terms;
“**Maturity Date**”	means the date specified in the applicable Final Terms as the “Maturity Date”;
“**MyClear**”	**MALAYSIAN ELECTRONIC CLEARING CORPORATION SDN BHD** (Company No. 836743-D), a wholly-owned subsidiary of BNM, incorporated in October 2008.
“**MyClear Procedures**”	the Operational Procedures for Securities Services and any other prevailing rules as may be issued by BNM or MyClear from time to time affecting the issuance and trading of the Subordinated MTNs through FAST and/or on RENTAS.
“**MyClear Rules**”	means the Participation and Operation Rules for Payments and Securities Services and any other prevailing rules as may be issued by BNM or MyClear from time to time affecting the issuance and trading of the Subordinated MTNs through FAST and/or on RENTAS.
“**Notes**”	collectively the MTNs (including the Subordinated MTNs) and the Sukuk (including the Subordinated Sukuk) issued by NBAD under the NBAD MYR Programme;
“**Noteholder**”	(in relation to a Note) "holder" means the several persons who are for the time being the beneficial owners of the Notes as evidenced by the records maintained by ADIs and/or a bearer of a Definitive Certificate;

"**Proceedings**"	has the meaning ascribed to it in Condition 14 of these terms and conditions;
"**Rate(s) of Interest**"	means the rate specified in the applicable Final Terms as the "Rate(s) of Interest";
"**Rate Multiplier**"	means the percentage rate or number applied to the relevant Benchmark Rate, as specified in the applicable Final Terms;
"**Relevant Date**"	in respect of any Subordinated MTN means the date on which payment of principal and interest due in respect of such Subordinated MTN is made in full;
"**Reference Rate**"	means, for any Subordinated MTN the interest basis of which is specified as Floating Rate, the bid, offered or mean of bid and offered rate, as specified in the applicable Final Terms, for the Rate of Interest specified in such Final Terms;
"**Relevant Time**"	means the local time in Kuala Lumpur at which it is customary to determine bid, offered and mean rates in respect of deposits in Ringgit in the interbank money market;
"**RENTAS**"	the scripless book-entry securities trading and funds transfer system known as Real Time Electronic Transfer of Funds and Securities System maintained by BNM as varied, upgraded or substituted from time to time;
"**RENTAS Rules**"	Rules on Scripless Securities under RENTAS, 2006 issued by BNM, as may be modified, revised or substituted from time to time by BNM;
"**RULES**"	(a) the RENTAS rules; (b) the Rules on the FAST for Issuing/Tendering 2006 issued by BNM and as modified or revised or substituted from time to time by BNM; and/or (c) the MyClear Procedures and MyClear Rules as modified or revised or substituted from time to time, whichever is applicable.
"**Series**"	a series of Subordinated MTNs having identical terms;
"**Specified**	means denominations specified in the applicable Final

Denominations"	Terms;
"**Specified Interest Payment Date**"	means either: (a) each date which falls in the Specified Period specified in the applicable Final Terms after the preceding Specified Interest Payment Date or, in the case of the first Specified Interest Payment Date, after the Interest Commencement Date; or (b) as is otherwise specified as such in the applicable Final Terms, in each case as adjusted by the Business Day Convention specified in such Final Terms;
"**Subordinated MTNs**"	means such subordinated conventional medium term notes Issued from time to time by the Issuer under the NBAD MYR Programme.
"**Subordinated MTNholders**"	means the several persons who are for the time being the beneficial owners of the Subordinated MTNs as evidenced by the records maintained by the ADIs or a bearer of a Definitive Certificate in relation to such Subordinated MTNs.
"**Trust Deed**"	means the Trust Deed constituting the Subordinated MTNs entered into between the Trustee and the Issuer dated 5 July 2012;
"**Trustee**"	means **MAYBANK TRUSTEES BERHAD** (formerly known as Mayban Trustees Berhad) (Company No. 5004-P), a company incorporated in Malaysia and having its registered office at 34th Floor, Menara Maybank, 100 Jalan Tun Perak, ;
"**Variable Redemption Amount**"	has the meaning ascribed to it in Condition 6(d) of these terms and conditions; and
"**Zero Coupon MTN**"	means a Subordinated MTN, the interest basis for which is specified in the applicable Final Terms as zero coupon.

(b) Terms defined in the Programme Agreement shall have the same meanings when used herein unless they are otherwise defined herein or the context otherwise requires.

2. Form, Denomination and Title

(a) The Subordinated MTNs, unless exchanged for definitive certificates ("**Definitive Certificates**") pursuant to Clause 9 of the Programme Agreement, are represented by a global certificate (the

"**Global Certificate"**) in bearer form. The Global Certificate will be deposited with the Central Depository. Owners of beneficial interests in the Subordinated MTNs will not be entitled to receive physical delivery of the Global Certificate. Definitive Certificates, if issued, shall be in Specified Denominations.

(b) Title to the Subordinated MTNs passes by delivery. The Issuer will treat the holder of the Global Certificate as the absolute owner of the Global Certificate, free of any equity, set-off or counterclaim on the part of the Issuer against the original or any intermediate holder of such certificate (whether or not the Subordinated MTNs represented by such certificate shall become overdue and notwithstanding any notation of ownership or other writing thereon or any notice of previous loss or theft of such certificate) for all purposes save as otherwise herein provided in relation to the Global Certificate and, except as ordered by a court of competent jurisdiction or as required by applicable law, the Issuer shall not be affected by any notice to the contrary. All payments made to any such holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for the moneys payable upon the Subordinated MTNs.

(c) Transfers of beneficial interests in the Subordinated MTNs will be effected through records maintained by the Central Depository and the Authorised Depository Institutions ("**ADIs**") appointed by the Central Depository in accordance with the RULES. Transfers of such interests will be subject to compliance by the transferor and the transferee with the RULES. Any transfer of interests in the Subordinated MTNs shall be subject to the Selling Restrictions contained in and endorsed on the Global Certificate.

3. Status

The Subordinated MTNs are subordinated and unsecured obligations of the Issuer ranking pari passu and without any preference among themselves and subordinated to all other outstanding unsecured and unsubordinated obligations for borrowed money of the Issuer.

The payment obligations of the Issuer in respect of the Subordinated MTNs (whether on account of principal, interest or otherwise) will be subordinated to all unsubordinated payment obligations of the Issuer in the manner described below but will rank pari passu with all other subordinated payment obligations of the Issuer which do not rank or are not expressed by their terms to rank junior to the payment obligations under the Subordinated MTNs and in priority to all claims of shareholders of the Issuer. The rights of the holders of Subordinated MTNs against the Issuer are subordinated in right of payment to the claims of all Senior Creditors of the Issuer. Accordingly, payments in respect of the Subordinated MTNs (whether on account of principal, interest or otherwise) by the Issuer are conditional upon the Issuer being solvent at the time of such payment. No payment shall be payable by the Issuer in respect of the Subordinated MTNs except to the extent that the Issuer could make such payment and any other payment required to be made to a creditor in respect of indebtedness which ranks or is expressed to rank pari passu with the Subordinated MTNs and still be solvent immediately thereafter.

For this purpose, the Issuer shall be solvent if (i) it is able to pay its debts as they fall due and (ii) its assets exceed its liabilities, and the "Senior Creditors" shall mean creditors of the Issuer (including depositors) other than creditors in respect of indebtedness where, by the terms of such indebtedness, the claims of the holders of that indebtedness rank or are expressed to rank pari passu with, or junior to, the claims of the Noteholders. Each holder of a Subordinated MTN unconditionally and irrevocably waives any right of setoff, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Note. No collateral is or will be given for the payment obligations under the Subordinated

MTNs and any collateral that may have been or may in the future be given in connection with other indebtedness of the Issuer shall not secure the payment obligations under the Subordinated MTNs.

4. Payments

(a) Subject to any fiscal or other laws or regulations applicable to the Paying Agent, all payments in respect of the Subordinated MTNs will be made in Ringgit in accordance with the RULES or in such manner as the Paying Agent and the Issuer may agree. Every payment to the Paying Agent in respect of the Subordinated MTNs in the manner provided in the Central Securities Depository and Paying Agency Rules shall operate in satisfaction pro tanto of the payment obligations of the Issuer in respect of the principal amount of the Subordinated MTNs and the relevant interest payment as the case may be.

(b) If the Global Certificate has been exchanged for Definitive Certificates, payment to each Subordinated MTNholder shall be made upon presentation of the Definitive Certificates (for interest payments other than the final interest payment) or against surrender of the Definitive Certificates (for the final interest payment and for principal payment).

5. Interest

One or more of the following provisions apply to each MTN, as specified in the applicable Final Terms.

(a) *Fixed Rate:* The following provisions in this Condition 5(a) apply to a Subordinated MTN the interest basis for which is specified in the applicable Final Terms as being "Fixed Rate".

Each Subordinated MTN bearing interest at a Fixed Rate bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest as specified in the applicable Final Terms, payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date specified in such Final Terms, if such date does not fall on an Interest Payment Date. The amount(s) of interest payable in respect of such Subordinated MTN may be specified in the applicable Final Terms as the Fixed Coupon Amount(s) or the Broken Amount.

The first payment of interest on a Subordinated MTN will be made on the Interest Payment Date next following the relevant Interest Commencement Date. If the period between the Interest Commencement Date and the first Interest Payment Date is different from the period between Interest Payment Dates, the first payment of interest on a Subordinated MTN will be the amount specified on the relevant Subordinated MTN as being the initial Broken Amount. If the Maturity Date is not an Interest Payment Date, interest from and including the preceding Interest Payment Date (or from and including the Interest Commencement Date, as the case may be) to but excluding the Maturity Date will be the amount specified on the relevant Subordinated MTN as being the final Broken Amount.

Interest in respect of a period which is different from the period between Interest Payment Dates (or, in the case of the first interest period, the period between the Interest Commencement Date and the first Interest Payment Date) will be calculated using the applicable Day Count Fraction.

Interest will cease to accrue on each Subordinated MTN on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused, in which event interest will continue to accrue at the specified Rate of Interest and in the manner provided in this Condition 5(a) to the Relevant Date.

(b) *Floating Rate:*

The following provisions in this Condition 5(b) apply to a Subordinated MTN the interest basis for which is specified in the applicable Final Terms as being "Floating Rate".

(i) Specified Interest Payment Dates:

Each Subordinated MTN bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date in respect thereof at the rate per annum (expressed as a percentage) equal to the Rate of Interest calculated in accordance with this Condition 5(b) and such interest will be payable in arrear on each Specified Interest Payment Date.

Interest will cease to accrue on each Subordinated MTN on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused, in which event interest will continue to accrue at the Rate of Interest and in the manner provided in this Condition 5(b) to the Relevant Date.

(iii) Rate of Interest:

Each Subordinated MTN bears interest at the Rate(s) of Interest which shall be a floating rate or rates of interest equal to (i) the Benchmark Rate adjusted, if necessary, by any Margin and/or any Rate Multiplier in accordance with Condition 5(b)(v), or (ii) such other rate or rates calculated as specified in the applicable Final Terms. The Benchmark Rate (if any) in respect of an Subordinated MTN may be calculated by reference to KLIBOR or one or more other interest rates, exchange rates, stock market or commodities indices (each a "**Benchmark**"). The dates on which interest shall be payable on an MTN, the basis for calculation of each amount of interest payable in respect of such Subordinated MTN on each such date and on any other date on which interest becomes payable in respect of such MTN, and the rate (or the basis of calculation of such rate) at which interest will accrue in respect of any overdue principal shall be as set out below, unless otherwise specified in the applicable Final Terms. Unless otherwise specified in the applicable Final Terms, the Rate of Interest and Interest Amount payable on the Subordinated MTN on each Specified Interest Payment Date shall be determined by the Calculation Agent at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period on the basis of the following provisions:

(A) If the applicable Final Terms specifies that the "Primary Source for Floating Rate" shall be a specified page, section or other part of a particular information service (each as specified in the applicable Final Terms), then the Benchmark Rate for such Interest Period, subject as provided below, shall be (x) the Reference Rate so appearing in or on that page, section or other part of such information service (where such Reference Rate is a composite quotation of interest rates per annum or is customarily supplied by one entity) or (y) if no composite quotation so appears, the arithmetic mean of the individual Reference Rates at that time appearing in or on that page, section or other part of such information service, in any such case in respect of deposits for a period equal to the duration of such Interest Period.

(B) If the applicable Final Terms specifies that the "Primary Source for Floating Rate" shall be the Reference Banks identified in such Final Terms or in the case of a Subordinated MTN in respect of which paragraph (A) above is applicable but (x) no Reference Rate appears at or about such Relevant Time or (y) fewer than two Reference Rates appear at or about such Relevant Time, then the Calculation Agent shall request the Reference Banks specified in the applicable Final Terms (or, as the case may be, any Reference Bank appointed from time to time pursuant to Condition 5(b)(vii)) to provide the Calculation Agent with its Reference Rate quoted to leading banks for deposits in the relevant Specified Currency for a period equivalent to the duration of the relevant Interest Period. Where this Condition 5(b)(ii)(B) shall apply, the Benchmark Rate for the relevant Interest Period shall, subject as provided below, be the arithmetic mean of such Reference Rates as calculated by the Calculation Agent.

(C) If, at or about the Relevant Time on any Interest Determination Date where the Benchmark Rate in respect of a Subordinated MTN is to be determined pursuant to Condition 5(b)(ii)(B), only two or three of such Reference Banks provide such relevant quotations, then the Benchmark Rate for the relevant Interest Period shall, subject as provided below, be the arithmetic mean of the Reference Rates quoted by such Reference Banks as calculated by the Calculation Agent.

(D) If at or about the Relevant Time on any Interest Determination Date where the Benchmark Rate is to be determined pursuant to Condition 5(b)(ii)(B), fewer than two of such Reference Banks provide such Reference Rates, then the Calculation Agent shall, after consultation with the Issuer, select four or more banks carrying on business in Kuala Lumpur (the "**Alternative Banks**"), and the Benchmark Rate for the relevant Interest Period shall, subject as provided below, be whichever is the higher of:

(1) the Benchmark Rate in effect for the last preceding Interest Period to which Condition 5(b)(ii)(A), (B) or (C) shall have applied; and

(2) the rate per annum (expressed as a percentage) which the Calculation Agent determines to be the arithmetic mean of the Reference Rate quoted by such Reference Bank (if any) and the Reference Rates which such Alternative Banks are quoting at or about the Relevant Time on the relevant Interest Determination Date for a period equivalent to the duration of such Interest Period to other leading banks carrying on business in Kuala Lumpur; provided, however, that if the Calculation Agent is unable to select the requisite number of Alternative Banks or if the Alternative Banks so selected by the Calculation Agent are not quoting as aforesaid, then the Benchmark Rate shall be the Benchmark Rate determined in accordance with paragraph (1) of this Condition 5(b)(ii)(D).

(iii) Minimum/Maximum Rates:

If the applicable Final Terms specifies a Minimum Rate of Interest, then the Rate of Interest shall in no event be less than such Minimum Rate of Interest, and if the applicable Final Terms specifies a Maximum Rate of Interest, then the Rate of Interest shall in no event exceed such Maximum Rate of Interest.

(iv) Rounding:

The Calculation Agent shall, if necessary, round any Rate of Interest to the nearest one-hundred thousandth of one percent.

(v) Determination of Rate of Interest and Calculation of Interest Amounts:

As soon as practicable after the Relevant Time on each Interest Determination Date or such other time, the Calculation Agent will obtain any quote or rate or make any determination or calculation, determine the Rate of Interest and calculate the amount of interest payable (the "**Interest Amount**") in respect of each Specified Denomination for the relevant Interest Period. Interest Amount(s) shall be calculated by applying the Benchmark Rate, adjusted, if necessary, by any Margin and/or any Rate Multiplier (or such other rate or rates calculated as specified in the applicable Final Terms), to the Specified Denomination and multiplying such product by the applicable Day Count Fraction(s) and rounding, if necessary, the resultant figure to the nearest sen (half of such unit being rounded upwards). The determination of the Rate of Interest and the Interest Amounts and the obtaining of any quote or rate, and the making of any determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

(vi) Notification of Rate of Interest and Interest Amounts:

The Calculation Agent will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Specified Interest Payment Date to be provided to the Issuer and the Paying Agent as soon as possible after their determination but in no event later than two Business Days after the date of their determination. The Calculation Agent will also cause the same information to be provided to Subordinated MTNholders in accordance with Condition 12 as soon as possible after its determination but, unless otherwise provided in the applicable Final Terms, in no event later than the seventh calendar day thereafter. The Interest Amounts and the Specified Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(vii) Calculation Agent and Reference Banks:

The Issuer will ensure that, as long as any Subordinated MTN to which this Condition 5(b) applies remains outstanding, there shall always be a Calculation Agent for such Subordinated MTN and so long as the Primary Source for Floating Rate for such Subordinated MTN is Reference Banks, and unless otherwise provided in the applicable Final Terms, there shall at all times be at least four Reference Banks for such MTN. In the case of any Subordinated MTN in respect of which Condition 5(b)(ii)(A) applies but no Reference Rate appears at or about the Relevant Time, or fewer than two Reference Rates appear at or about the Relevant Time and the Issuer has not appointed at least four Reference Banks, the Issuer will, after consulting with the Calculation Agent, identify at least four Reference Banks for such MTN. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer will use reasonable endeavours to appoint another Reference Bank to act as Reference Bank in its place. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts, then the Issuer will appoint a leading bank engaged in the interbank money market to act as Calculation Agent in its place. With respect to any Subordinated MTN at any time outstanding, the Calculation Agent thereof may not resign its duties unless a successor has been appointed and the appointment has been made effective.

(c) *Zero Coupon and Deep Discount MTNs:* In the case of a Subordinated MTN the interest basis for which is specified in the applicable Final Terms as zero coupon (a "**Zero Coupon MTN**"), references to the amount of interest payable in respect of a Subordinated MTN (other than as provided in Condition 9), are not applicable. If, upon the presentation of such a MTN, or of a Subordinated MTN which is specified in the applicable Final Terms as deep discount (a "**Deep Discount MTN**") on or after the Maturity Date, payment of principal is improperly withheld or refused, interest shall accrue (on the same basis as that referred to in Condition 5(a)) on such Subordinated MTN from the Maturity Date to the Relevant Date at a rate per annum (expressed as a percentage) equal to the Amortization Yield specified in the applicable Final Terms.

(d) *Withholding Tax:* In the event that any withholding tax is imposed in respect of interest payments made by the Issuer, the sum payable by the Issuer shall be increased to the extent necessary to ensure that the relevant payee receives a sum net of any withholding equal to the sum which it would have received had no such withholding been made or required to be made.

(e) *RULES*: The foregoing provisions shall be subject to the RULES. In the event of any inconsistency the RULES shall prevail.

6. Redemption, Purchase and Options

(a) *Final Redemption and Redemption by Installments:*

(i) Unless previously redeemed or purchased and cancelled as provided in this Condition 6, each Subordinated MTN shall be redeemed in full on the Maturity Date or in the Redemption Month specified in the applicable Final Terms at its redemption amount (which, unless otherwise provided in this Condition 6 or in the applicable Final Terms, is its nominal amount) ("**Final Redemption Amount**") or, in the case of a Subordinated MTN in respect of which subparagraph (ii) below applies, its final Installment Amount.

(ii) Unless previously redeemed or purchased and cancelled as provided in this Condition 6, each Subordinated MTN that provides for Installment Dates and Installment Amounts shall be partially redeemed on each Installment Date at the related Installment Amount specified in the applicable Final Terms or, if so provided in the applicable Final Terms, determined by the Calculation Agent. Upon payment in full of any Installment Amount, the outstanding nominal amount of each such Subordinated MTN shall be reduced by such Installment Amount (or, if such Installment Amount is calculated by reference to a proportion of the nominal amount of such MTN, such proportion) for all purposes with effect from the related Installment Date, unless payment of the Installment Amount is improperly withheld or refused on presentation of the related Receipt, in which case such amount shall remain outstanding until the Relevant Date relating to such Installment Amount.

(b) *Purchases*: The Issuer, its Subsidiaries or agent(s) of the Issuer may (subject to the prior approval of the Central Bank of the United Arab Emirates (the "**Regulator**", which expression shall include its successors as the banking regulator in the United Arab Emirates) having been obtained, where such approval is necessary) at any time purchase or otherwise acquire Subordinated MTNs at any price in the open market or otherwise. All Subordinated MTNs which are redeemed by the Issuer, its Subsidiaries or agent(s) of the Issuer shall be cancelled forthwith by or on behalf of the Issuer and may not be reissued or resold.

(c) *Early Redemption of Zero Coupon MTNs and Deep Discount MTNs:*

(i) The redemption amount payable in respect of any Subordinated MTN the interest basis of which is specified in the applicable Final Terms to be Zero Coupon, or of any Deep Discount MTN, at any time prior to its stated Maturity Date or upon it becoming due and payable as provided in Condition 8, shall be the amortized face amount ("**Amortized Face Amount**") (calculated as provided below) of such MTN.

(ii) Subject to the provisions of sub-paragraph (iii) below, the Amortized Face Amount of any Zero Coupon MTN, or of any Deep Discount MTN, shall be the sum of (A) the Reference Price specified in the applicable Final Terms and (B) the aggregate amortization of the difference between the Reference Price and the nominal amount of the MTN from the Issue Date to the date on which the Subordinated MTN becomes due and payable, calculated using a rate per annum (expressed as a percentage) equal to the Amortization Yield applied to the Reference Price in the manner specified in such Final Terms. Where the specified calculation is to be made for a period of less than a full year it shall be made using the applicable Day Count Fraction.

(iii) If the redemption amount payable in respect of any such Subordinated MTN upon it becoming due and payable as provided in Condition 9 is not paid when due, the redemption amount due and payable in respect of such Subordinated MTN shall be the Amortized Face Amount of such Subordinated MTN as defined in sub-paragraph (ii) above, except that such sub-paragraph shall have effect as though the reference therein to the date on which the Subordinated MTN becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortized Face Amount in accordance with this sub-paragraph shall continue to be made (before and, to the extent permitted by applicable law, after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled redemption amount of such Subordinated MTN on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

(d) *Redemption of MTNs with Variable Redemption Amount:* The basis for calculation of the amount payable upon redemption of a Subordinated MTN with a redemption amount which is variable ("**Variable Redemption Amount**") shall be specified in the applicable Final Terms and determined in accordance with Condition 6(h).

(e) *Redemption at the Option of the Issuer and Exercise of Issuer's Options (Call Option):* If so provided in the applicable Final Terms, the Issuer may at its option, subject to compliance with all relevant laws, regulations and directives (including any requirement for the prior approval of the Regulator, where necessary), on giving to the holder of such Subordinated MTN irrevocable notice in accordance with Condition 12 of not less than 30 nor more than 45 days (or such other notice period as specified in the applicable Final Terms) redeem all or, if so specified in the applicable Final Terms, some of the Series of Subordinated MTNs of which such Subordinated MTN forms part, on the Optional

Redemption Date(s) specified in the applicable Final Terms (which shall, in the case of a Subordinated MTN which has applicable to it at the time of redemption an interest basis which is specified in the applicable Final Terms as Floating Rate, be a Specified Interest Payment Date) at the amount specified on such date as the Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption. All Subordinated MTNs in respect of which any such notice is given shall be redeemed on the Optional Redemption Date(s) specified in such notice in accordance with this Condition 6(e).

In the case of a partial redemption or a partial exercise of the Issuer's option, the notice to Subordinated MTNholders shall also contain the certificate or serial numbers of the Subordinated MTNs to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place as the Facility Agent may approve and in such manner as may be agreed between the Issuer and the Facility Agent, taking account of prevailing market practice, and subject to compliance with any applicable laws and stock exchange requirements.

(f) *Redemption at the Option of Subordinated MTNholders and Exercise of Subordinated MTNholders' Options (Put Option):* If so provided in the applicable Final Terms, the Issuer shall, subject to compliance with all relevant laws, regulations and directives (including any requirement for the prior approval of the Regulator, where necessary), at the option of the holder of such MTN, redeem such Subordinated MTN on the Optional Redemption Date(s) specified in the applicable Final Terms (which shall, in the case of a Subordinated MTN which has applicable to it at the time of redemption an interest basis which is specified in such Subordinated MTN as Floating Rate, be a Specified Interest Payment Date) at the amount specified in the applicable Final Terms as the Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption.

To exercise such options or any other Subordinated MTNholders' option that may be specified in the applicable Final Terms, the holder must deposit a duly completed option exercise notice ("**Exercise Notice**") at the office of the Facility Agent in the form obtainable from the Facility Agent not more than 60 nor less than 45 days (or such other deposit period as may be specified in the applicable Final Terms) prior to the relevant date for redemption. No Subordinated MTN, Certificate or Exercise Notice so deposited may be withdrawn without the prior consent of the Issuer and the Facility Agent.

(g) *Cancellation:* The Issuer, its Subsidiaries or agent(s) of the Issuer will be entitled to subscribe for or acquire any Subordinated MTNs. Any such Subordinated MTNs which are subscribed for or acquired shall be surrendered for cancellation by or on behalf of the Issuer and may not be reissued or resold, and the obligations of the Issuer in respect of any such Subordinated MTNs shall be discharged.

(h) *Determination of Installment Amount or Variable Redemption Amount:* If the applicable Final Terms provides that any Installment Amount, Variable Redemption Amount or premium are to be determined by the Calculation Agent (or another person), then on or prior to each date the Calculation Agent (or such other person) is required to determine each such Installment Amount, Variable Redemption Amount or premium, the Calculation Agent (or such other person) will obtain any quote or rate, or make any other determination or calculation as may be required, and will determine such Installment Amount, Variable Redemption Amount or premium in accordance with the applicable Final Terms. The determination of such Installment Amount, Variable Redemption Amount or premium, and the obtaining of any quote or rate, by the Calculation Agent (or such other person) shall (in the absence of manifest error) be final and binding upon all parties. The Calculation Agent (or such other person) shall cause to be provided to the Issuer, the Facility Agent and the relevant Subordinated MTNholders (in accordance with Condition 12), the Installment Amounts, Variable Redemption Amounts or premium determined by it as soon as possible after their determination but in no event later than two Business Days after the date of their determination.

7. Prescription

Claims against the Issuer for payment in respect of the Subordinated MTNs shall be prescribed and become void unless made within six years of the date in respect of which the relevant payment first becomes due.

8. Event of Default

(a) Event of Default

If any one or more of the following events (each an "**Event of Default**") shall occur and be continuing:

(i) default is made in the payment of any principal or interest due under any Subordinated MTN or any of them and the default continues for a period of seven days; or

(ii) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution; or

(iii) the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(iv) (A) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Issuer), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of the Issuer, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of the Issuer and (B) in any case (other than the appointment of an administrator) is not discharged within 14 days; or

(v) the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(vi) any event occurs which under the laws of the United Arab Emirates or any Emirate therein or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (i) to (iv) above, the Trustee:

may, at the Trustee's discretion (subject to its right under the Trust Deed to be indemnified); or

shall, (subject to its right under the Trust Deed to be indemnified) if so directed by a Extraordinary Resolution of the Subordinated MTNholders,

declare (by giving notice thereof to the Issuer) that such Subordinated MTN is immediately repayable, whereupon the Final Redemption Amount or, in the case of a Subordinated MTN in respect of which Condition 6(a)(ii) applies, all outstanding Insallment Amounts, of such Subordinated MTN together with accrued interest to the date of payment shall become immediately due and payable.

(b) Enforcement

At any time after the Subordinated MTNs shall have become due and immediately repayable under the provisions this Condition, the Trustee, subject to its right to indemnification under the Trust Deed, shall enforce all payment obligations under the Subordinated MTNs only by way of instituting proceedings in the United Arab Emirates or any Emirate therein (but not elsewhere) for the dissolution and liquidation of the Issuer and/or by proving for the amount due and payable under the Subordinated MTNs in the liquidation or administration of the Issuer.

(c) Breach of Obligations

To the extent permitted by applicable law and by these Conditions and provided:

(a) the Trustee has failed to make the declaration referred to in Condition 8(a); and

(b) the Trustee has failed to enforce the payment obligations under the Subordinated MTNs,

a holder of the Subordinated MTNs may at its discretion institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Subordinated MTNs, but the institution of such proceedings shall not have the effect that the Issuer shall be obliged to pay any sum or sums sooner than would otherwise have been payable by it.

(d) Other Remedies

No remedy against the Issuer, other than the institution of the proceedings referred to in paragraph (a) or (c) above and the proving or claiming in any dissolution and liquidation of the Issuer, shall be available to the holders of the Subordinated MTNs whether for the recovering of amounts owing in respect of the Subordinated MTNs or in respect of any breach by the Issuer of any other obligation, condition or provision binding on it under the Subordinated MTNs.

9. Acquisition of Direct Rights

Upon the occurrence of an Event of Default or the Central Depository having notified the Issuer that it is unable or unwilling to act as depository for the Subordinated MTNs and to continue performing its duties set out in the Central Securities Depository and Paying Agency Rules, the Global Certificate becomes exchangeable for Definitive Certificates and, if not so exchanged when required by a Subordinated MTNholder then, without prejudice to any other rights which such Subordinated MTNholder may have and without the need for any further action on behalf of any person, such Subordinated MTNholder shall automatically acquire against the Issuer all those rights which such holder would have had if, immediately before the time at which the Global

Certificate becomes exchangeable for Definitive Certificates, it had been the holder and beneficial owner of duly executed and authenticated Definitive Certificates in respect of interests in the Global Certificate representing the Subordinated MTNs held by such Subordinated MTNholder, including, but without limitation, the right to receive payments of principal, interest and any other amounts due at any time in respect of such Definitive Certificates, other than payments corresponding to any already made under the Global Certificate. A Subordinated MTNholder may assign its rights hereunder in whole or in part.

10. Replacement of Certificates

If the Global Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and regulations, and the terms of the Programme Agreement, at the specified office of the Facility Agent in Malaysia, or such other agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Subordinated MTNholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of the Subordinated MTNs represented by such certificate) and otherwise as the Issuer may require. Mutilated or defaced Subordinated MTNs must be surrendered before replacements will be issued.

11. Further Issues

The Issuer may from time to time without the consent of the Subordinated MTNholders or Facility Agent, create and issue further securities either having the same terms and conditions as the Subordinated MTNs in all respects (or in all respects except for the first payment of interest on them) so as to form a single issue and so that such further issue shall be consolidated and form a single series with the outstanding securities of any Series, or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Subordinated MTNs include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single Series of the Subordinated MTNs.

12. Notices

All notices regarding the Subordinated MTNs shall be validly given if published in a leading daily newspaper printed in the English language of general circulation in Malaysia or by publication through any electronic information dissemination system operated by the Central Depository, such as FAST.

Notices by the Trustee to the Issuer shall be given in accordance with Clause 33 of the Trust Deed.

The Issuer will give notice to the Trustee and to the Subordinated MTNholders in the manner herein provided on the occurrence of any Event of Default.

All notices shall be given in the English language.

13. Meetings of Subordinated MTNholders

Schedule 2 of the Trust Deed contains provisions for convening meetings of Subordinated MTNholders to consider matters affecting their interests, including the modification of any of the terms of the Subordinated MTNs.

14. Governing Law and Jurisdiction

The Subordinated MTNs are governed by, and shall be construed in accordance with, the laws of Malaysia, except that the subordination provisions set out in Condition 4 shall be governed by, and construed in accordance with, the laws of the United Arab Emirates.

The courts of Malaysia are to have jurisdiction to settle any disputes which may arise out of or in connection with the Subordinated MTNs and accordingly any legal action or proceedings arising out of or in connection with the Subordinated MTNs (“**Proceedings**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to any Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

15. Agent for Service of Process

The Issuer irrevocably appoints Messrs. Kadir, Andri & Partners (Address: 8th Floor, Menara Safuan, 80, Jalan Ampang, 50450 Kuala Lumpur, Malaysia) as its authorized agent for service of process in Malaysia. If for any reason such agent shall cease to be such agent for the service of process, the Issuer shall forthwith appoint a new agent for service of process in Malaysia and (a) deliver to the Facility Agent a copy of the new agent's acceptance of that appointment within 30 days, and (b) publish a notice, in accordance with Condition 12, of such new appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

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4. Terms and Conditions of the Senior Sukuk

*The following is a description of the Murabahah transactions pursuant to which the Sukuk may be issued but such description will **not** appear on the global certificate issued in respect of the relevant Sukuk nor be incorporated by reference into or appear on any definitive certificate.*

The Issuer may issue the Sukuk under the Shariah principle of Murabahah. Each issuance of the Sukuk Murabahah under the NBAD MYR Programme shall be effected by way of discrete commodity Murabahah transactions as follows:

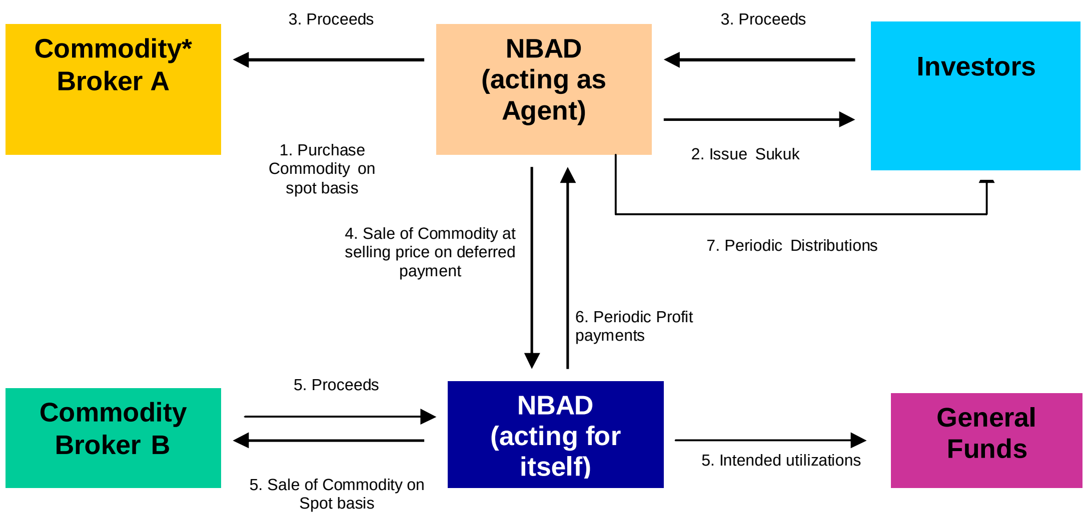
1. The Issuer, acting on behalf of the investors (in such capacity, the **"Agent"**), shall purchase on a spot basis a Shariah-compliant commodity (excluding ribawi items such as currency, gold and silver) (the "**Commodity**") from Broker A at a purchase price (the **"Purchase Price"**) on the Issue Date, after receiving a purchase order (the **"Purchase Order"**) from NBAD (acting for itself). In the Purchase Order, NBAD will irrevocably undertake to purchase the Commodity from investors (through the Agent) at a sale price (the **"Deferred Sale Price"**) payable on a deferred payment basis (in lump sum or instalment).

2. Upon purchasing the Commodity from Broker A on the Issue Date, the Issuer shall issue Sukuk Murabahah to the investors to raise the Purchase Price. Under the terms of the Sukuk Murabahah, the Issuer will declare a trust in favour of the investors over the Commodity (so long as title thereto is vested in the Issuer) and all rights against NBAD under the Purchase Order (including the right to, and to be paid, the Deferred Sale Price). The Sukuk Murabahah shall evidence the investors' ownership of the Commodity and all such rights.

3. The proceeds received from the investors shall be used by the Agent to fund the Purchase Price of the Commodity from Broker A.

4. On the Issue Date, the Agent shall sell the Commodity to NBAD (acting for itself) on a spot basis at the Deferred Sale Price which shall amount to the Purchase Price plus a profit margin payable in one lump sum or on an instalment payment basis.

5. Upon completion of the sale of the Commodity from the Agent to NBAD, NBAD shall sell the Commodity to Broker B on the Issue Date for cash consideration on spot basis for an amount equal to the Purchase Price.



The foregoing transaction structure relating to the issue of the Sukuk has been approved by HSBC Amanah Malaysia Berhad Shariah Committee, Maybank Islamic Berhad Shariah Committee and RBS Berhad Shariah Committee. Prospective holders of the Sukuk should not rely on such approval in deciding whether to make an investment in the Sukuk and should obtain their own independent Shariah advice as to whether each of the structure, the issue and the trading of the Sukuk is in compliance with Shariah principles.

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Final Terms, will apply to the Sukuk referred to in such Final Terms and will appear on the global certificate issued in respect of the relevant Sukuk and, if issued, will be incorporated by reference into or appear on each definitive certificate except to the extent they are appropriate only to the global certificate:

The implementation of the programme established by NBAD for the issue of conventional medium term notes ("**MTNs**") and Islamic securities ("**Sukuk**") of up to an aggregate nominal amount of RM3,000,000,000 ("**NBAD MYR Programme**") and the issuance of Sukuk thereunder been duly authorized by the resolution of the Board of Directors of the Issuer dated 25 July 2007. The issue has been approved by the relevant regulatory authorities of Malaysia. The Sukuk are issued pursuant to a programme agreement (the "**Programme Agreement"**) dated 10 June 2010 (and amended and restated on 5 July 2012) between the Issuer, The Royal Bank of Scotland Berhad as lead arranger (the "**Lead Arranger**") and as facility agent (the "**Facility Agent"**, which expression shall, wherever the context so admits, include any substitute facility agent) and Maybank Investment Bank Berhad, HSBC Bank Malaysia Berhad, HSBC Amanah Malaysia Berhad and The Royal Bank of Scotland Berhad as joint lead managers (the "**Joint Lead Managers**"). Certain provisions of these Conditions are summaries of, and are subject to, the detailed provisions of the Programme Agreement. The holders for the time being of the Sukuk (the "**Sukukholders**") are bound by, and are deemed to have notice of, all the provisions of the Programme Agreement and the Central Securities and Depository Paying Agency Rules. Copies of the Programme Agreement and the Central Securities and Depository Paying Agency Rules are available for inspection at the office of the Facility Agent at Level 9, Menara Maxis, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

1. Interpretation

(a) Definitions

In these terms and conditions of the Senior Sukuk (the "**Conditions**"), the following expressions have the following meanings:

"**ADIs**"	financial institutions licensed under the Banking and Financial Institutions Act 1989 or the Islamic Banking Act 1983 who are members of RENTAS and authorised or approved by BNM to receive and make payments relating to debt securities and to effect transfers of debt securities;
"**BNM**"	Bank Negara Malaysia;
"**Broken Amount**"	means the amount specified in the applicable Final Terms as the "Broken Amount";
"**Business Day**"	means a day (other than Friday, Saturday or Sunday) on

	which commercial banks and foreign exchange markets in Kuala Lumpur and Abu Dhabi are open for business;
"**Business Day Convention**"	means either: (i) the "Modified Following Business Day Convention", in which case profit on a Sukuk shall be payable on such Specified Profit Payment Dates as may be specified in the applicable Final Terms, provided that, if any Specified Profit Payment Date would otherwise fall on a date which is not a Business Day, the relevant Specified Profit Payment Date will be the first following day which is a Business Day, unless that day falls in the next calendar month, in which case the relevant Specified Profit Payment Date will be the first preceding day which is a Business Day; or (ii) the "Following Business Day Convention", in which case profit on a Sukuk shall be payable on such Specified Profit Payment Dates as may be specified in the applicable Final Terms, provided that, if any Specified Profit Payment Date would otherwise fall on a date which is not a Business Day, the relevant Specified Profit Payment Date will be the first following day which is a Business Day; or (iii) the "Preceding Business Day Convention", in which case profit on a Sukuk shall be payable on such Specified Profit Payment Dates as may be specified in the applicable Final Terms, provided that, if any Specified Profit Payment Date would otherwise fall on a date which is not a Business Day, the relevant Specified Profit Payment Date will be the first preceding day which is a Business Day; or (iv) such other Business Day Convention as may be specified in the applicable Final Terms.
"**Central Depository**"	means MyClear as agent of BNM acting as depository in respect of the Global Certificates pursuant to the Central Securities Depository and Paying Agency Rules.
"**Central Securities Depository and Paying Agency Rules**"	means the rules and procedures governing the depository and paying agency services provided by MyClear as agent for BNM in relation to securities deposited in RENTAS.

"**Conditions**" means these terms and conditions or any one of them;

"**Commodities**" means the Shariah compliant commodities (excluding ribawi items such as currency, gold and silver) as approved by the Shariah Advisers and specified in the applicable Final Terms as being the subject of the relevant Islamic Transaction Documents;

"**Day Count Fraction**" means, in respect of the calculation of an amount of profit on any Sukuk for any period of time (from and including the first day of such period to but excluding the last, whether or not constituting an Profit Period, the "**Calculation Period**"):

(i) "Actual/365" which is the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365); or

(ii) such other calculation basis as is approved by the Shariah Advisers and specified in the applicable Final Terms.

"**Discounted Sukuk**" means a Sukuk which is specified in the applicable Final Terms as discounted;

"**Excluded Subsidiary**" at any time means a Subsidiary of the Issuer which is a special purpose company whose principal assets are constituted by a project or projects and none of whose indebtedness is directly or indirectly the subject of security or a guarantee, indemnity or any other form of assurance, undertaking or support from the Issuer or any of its Principal Subsidiaries;

"**Exercise Notice**" has the meaning ascribed to it in Condition 8(f) of these terms and conditions;

"**FAST**" the Fully Automated System for Issuing/Tendering being an electronic tendering system operated by BNM whereby persons approved by BNM to participate in such system may submit their tenders electronically.

"**Final Terms**" means each document titled as such and executed by, *inter alia*, NBAD in relation to each issue of Sukuk to set forth the specific terms for such issue of Sukuk;

"**Final Redemption Amount**"	has the meaning ascribed to it in Condition 8(a)(i) of these terms and conditions;
"**Fixed Profit Amount**"	means the amount specified in the applicable Final Terms as the "Fixed Profit Amount";
"**Group**"	means the Issuer and its Subsidiaries;
"**Indebtedness**"	shall be construed so as to include any obligation for the payment or repayment of money, whether present or future, actual or contingent;
"**Issue**"	means an issue from time to time of Sukuk in accordance with the provisions of the Programme Agreement;
"**Issue Date**"	means the date of Issue of a relevant Series of Sukuk;
"**Maturity Date**"	means the date specified in the applicable Final Terms as the "Maturity Date";
"**MyClear**"	**MALAYSIAN ELECTRONIC CLEARING CORPORATION SDN BHD** (Company No. 836743-D), a wholly-owned subsidiary of BNM, incorporated in October 2008.
"**MyClear Procedures**"	the Operational Procedures for Securities Services and any other prevailing rules as may be issued by BNM or MyClear from time to time affecting the issuance and trading of the Sukuk through FAST and/or on RENTAS.
"**MyClear Rules**"	means the Participation and Operation Rules for Payments and Securities Services and any other prevailing rules as may be issued by BNM or MyClear from time to time affecting the issuance and trading of the Sukuk through FAST and/or on RENTAS.
"**MTNs**"	means, unless the context requires otherwise, the Senior MTNs;
"**Notes**"	collectively the MTNs and the Sukuk issued by NBAD under the NBAD MYR Programme;
"**Noteholder**"	(in relation to a Note) "holder" means the several persons who are for the time being the beneficial owners of the Notes as evidenced by the records maintained by ADIs and/or a bearer of a Definitive Certificate;

"**Par Value Sukuk**"	means any Sukuk the profit basis for which is specified in the applicable Final Terms as par value;
"**Permitted Security Interest**"	means any Security Interest:

(i) in respect of any Relevant Indebtedness of any member of the Group incurred:

(A) to finance the ownership, acquisition, development, redevelopment or operation of any asset; or

(B) to finance or facilitate the receipt of any specified revenues or receivables,

in respect of which the person or persons to whom any such Relevant Indebtedness is or may be owed (for the purposes of this definition the ''**Lender**'') by such member of the Group (for the purposes of this definition the "'**Borrower**"') has or have no recourse whatsoever to any other member of the Group for the repayment thereof other than:

(a) recourse to the relevant Borrower for amounts limited to the cash flow or the net cash flow from such asset, revenues or receivables, as the case may be; and/or

(b) recourse to the proceeds of enforcement of any Security Interest (a) given by such Borrower over such asset, revenue or receivable or the income, cash flow or other proceeds deriving therefrom ("**Relevant Property"**) and/or (b) given by any owner of voting equity interest in a Borrower over such equity interest ("**Related Property**") to secure such Relevant Indebtedness provided that the extent of such recourse to such Borrower is limited solely to the amount of any recoveries made in respect of such enforcement, or

(ii) securing Relevant Indebtedness of any person existing at the time that such person is acquired by or merged into or consolidated with any member of the Group, provided, however, that such Security Interest was not created in contemplation of such acquisition, merger or consolidation and does not extend to any assets or property of any member of the Group other than that of such person prior to such acquisition, merger or consolidation, as the case may be;

"**Principal Subsidiary**" means a Subsidiary of the Issuer (not being an Excluded Subsidiary):

(i) whose total assets represent not less than 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole; or

(ii) whose external turnover is more than 10 per cent. of the consolidated turnover of the Issuer and its Subsidiaries taken as a whole,

all as calculated by reference to the then latest audited consolidated accounts of the Issuer; or

(iii) to which is transferred all or substantially all of the business, undertaking or assets of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary whereupon the transferor Subsidiary shall immediately cease to be a Principal Subsidiary and the transferee Subsidiary shall immediately become a Principal Subsidiary but shall cease to be a Principal Subsidiary under this sub-paragraph (c) (but without prejudice to the provisions of sub-paragraph (a) or (b) above) upon publication of its next audited accounts.

A report by the Chief Executive and the General Manager and Chief Operating Officer (or any person who at any time carries out the equivalent function of any such person (regardless of such person's title)) of the Issuer that in their opinion a Subsidiary of the Issuer is or was or was not at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"**Proceedings**" has the meaning ascribed to it in Condition 16 of these terms and conditions;

"**Profit Determination Date**"	means, in respect of any Profit Period, that number of days (if any) specified in the applicable Final Terms prior to the first day of such Profit Period on which the Rate of Profit is determined;
"**Profit Payment Date**"	means the date on which Profit is payable and the last Profit Payment Date shall be on the Redemption Date of that Sukuk and shall fall on a Business Day;
"**Profit Period**"	means, unless otherwise specified in the applicable Final Terms, the period beginning on and including the Profit Commencement Date to but excluding the first Specified Profit Payment Date and each successive period beginning on and including a Specified Profit Payment Date to but excluding the next succeeding Specified Profit Payment Date;
"**Profit Commencement Date**"	means, in the case of the first issue of a Series of Sukuk, the Issue Date of such Sukuk or such other date as may be specified as the Profit Commencement Date in the applicable Final Terms and, in the case of a further issue of a Series of Sukuk on substantially identical terms, the Profit Payment Date or, as the case may be, Specified Profit Payment Date in relation to such first issue immediately preceding the date on which such Series of Sukuk are issued or if there is no such date, the Profit Commencement Date in respect of such first issue, or in any case such other date as may be specified as the Profit Commencement Date in the applicable Final Terms;
"**Rate(s) of Profit**"	means the rate specified in the applicable Final Terms as the "Rate(s) of Profit";
"**RBS Berhad**"	means The Royal Bank of Scotland Berhad (Company Number: 301932-A);
"Relevant Date"	in respect of any Sukuk means the date on which payment of principal and profit due in respect of such Sukuk is made in full;
"Relevant Indebtedness"	means any Indebtedness having an original maturity of more than one year which is in the form of, or represented or evidenced by, bonds, sukuk, debentures, loan stock or other securities which (with the consent of the issuer thereof) are for the time being listed or traded on a stock exchange or other recognised securities market other than any sukuk, bonds or other debt securities issued by an acquired Subsidiary prior to the date of the acquisition and not issued in contemplation

of such acquisition;

"**Relevant Time**"	means the local time in Kuala Lumpur at which it is customary to determine bid, offered and mean rates in respect of deposits in Ringgit in the interbank money market;
"**RENTAS**"	the scripless book-entry securities trading and funds transfer system known as Real Time Electronic Transfer of Funds and Securities System maintained by BNM as varied, upgraded or substituted from time to time;
"**RENTAS Rules**"	Rules on Scripless Securities under RENTAS, 2006 issued by BNM, as may be modified, revised or substituted from time to time by BNM;
"**RULES**"	(a) the RENTAS rules; (b) the Rules on the FAST for Issuing/Tendering 2006 issued by BNM and as modified or revised or substituted from time to time by BNM; and/or (c) the MyClear Procedures and MyClear Rules as modified or revised or substituted from time to time, whichever is applicable.
"Security Interest"	means a mortgage, charge, lien, pledge or other security interest (other than (i) arising solely by operation of law or (ii) a Permitted Security Interest);
"**Series**"	a series of Sukuk having identical terms;
"**Shariah Advisers**"	means in relation to the initial issue of the Sukuk, HSBC Amanah Malaysia Berhad Shariah Committee, Maybank Islamic Berhad Shariah Committee and Amanie Advisors Sdn. Bhd. (on behalf of The Royal Bank of Scotland Berhad) (the "**Shariah Advisers**"). In relation to each subsequent issue of the Sukuk, any combination of the Shariah Advisers or other Shariah advisers, or any of them individually, as may be appointed in relation to that issue;
"**Specified Dominations**"	means denominations specified in the applicable Final Terms;
"**Specified Profit Payment Date**"	means either (i) each date which falls in the Specified Period specified in the applicable Final Terms after the preceding Specified Profit Payment Date or, in the case

	of the first Specified Profit Payment Date, after the Profit Commencement Date or (ii) as is otherwise specified as such in the applicable Final Terms, in each case as adjusted by the Business Day Convention specified in such Final Terms; and
"**Subsidiary**"	means any entity whose financial statements at any time are required by law or in accordance with relevant generally accepted accounting principles to be fully consolidated with those of the Issuer;
"**Sukuk**"	means, unless the context requires otherwise, the Senior Sukuk;
"**Sukukholder**"	(in relation to a Sukuk) "holder" means the several persons who are for the time being the beneficial owners of the Sukuk as evidenced by the records maintained by ADIs and/or a bearer of a Definitive Certificate;
"**Trust Assets**"	means, in relation to each Series: (i) title to the relevant Commodities for as long as such title is vested in the Issuer; (ii) all rights to the proceeds of any sale of such Commodities; and (iii) all rights of the Issuer under the relevant Islamic Transaction Documents to which it is a party; and
"Variable Redemption Amount"	has the meaning ascribed to it in Condition 8(d) of these terms and conditions.

(b) Terms defined in the Programme Agreement shall have the same meanings when used herein unless they are otherwise defined herein or the context otherwise requires.

2. Form, Denomination and Title

(a) The Sukuk, unless exchanged for definitive certificates ("**Definitive Certificates**") pursuant to Clause 9 of the Programme Agreement, are represented by a global certificate (the "**Global Certificate"**) in bearer form. The Global Certificate will be deposited with the Central Depository. Owners of beneficial interests in the Sukuk will not be entitled to receive physical delivery of the Global Certificate. Definitive Certificates, if issued, shall be in Specified Denominations.

(b) Title to the Sukuk passes by delivery. The Issuer will treat the holder of the Global Certificate as the absolute owner of the Global Certificate, free of any equity, set-off or counterclaim on the part of the Issuer against the original or any intermediate holder of such certificate (whether or not the Sukuk represented by such certificate shall become overdue and notwithstanding any notation of ownership or other writing thereon or any notice of previous loss or theft of such certificate) for all purposes save as otherwise herein provided in relation to the Global Certificate and, except as ordered by a court of competent jurisdiction or as required by applicable law, the Issuer shall not be affected by any notice to the contrary. All payments made to any such holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for the moneys payable upon the Sukuk.

(c) Transfers of beneficial interests in the Sukuk will be effected through records maintained by the Central Depository and the Authorised Depository Institutions ("**ADIs**") appointed by the Central Depository in accordance with the RULES. Transfers of such interests will be subject to compliance by the transferor and the transferee with the RULES. Any transfer of interests in the Sukuk shall be subject to the Selling Restrictions contained in and endorsed on the Global Certificate.

3. Declaration of Trust

(a) With respect to each Series and with effect from the Issue Date of such Series, the Issuer declares that, for as long as the Sukuk of that Series remains outstanding, the Issuer shall hold the Trust Assets on trust as the agent (*wakeel*) acting for the Sukukholders.

(b) The Issuer covenants, in relation to its role as agent (*wakeel*), to observe and perform all its obligations and liabilities under, and will enforce, the terms of the relevant Islamic Transaction Documents and apply all amounts received pursuant to the relevant Islamic Transaction Documents in meeting its obligations to the Sukukholders under the Conditions.

4. Status

Each Series of the Sukuk represents undivided beneficial ownership of the Trust Assets of the relevant Series and are also unsubordinated and unsecured obligations of the Issuer ranking pari passu and without any preference among themselves and pari passu with all other outstanding unsecured and unsubordinated obligations for borrowed money or other indebtedness of the Issuer.

5. Negative Pledge

So long as any Sukuk remains outstanding, the Issuer will not, and will ensure that none of its Principal Subsidiaries will create, or have outstanding any Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or payment under any guarantee or indemnity granted by the Issuer or any Principal Subsidiary in respect of any Relevant Indebtedness without at the same time or prior thereto according to the Sukuk the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution of the Sukukholder.

6. Payments

(a) Subject to any fiscal or other laws or regulations applicable to the Paying Agent, all payments in respect of the Sukuk will be made in Ringgit in accordance with the RULES or in such manner as the Paying Agent and the Issuer may agree. Every payment to the Paying Agent in respect of the Sukuk in the manner provided in the Central Securities Depository and Paying Agency Rulesshall operate in satisfaction pro tanto of the payment obligations of the Issuer in respect of the principal amount of the Sukuk and the relevant profit payment as the case may be.

(b) If the Global Certificate has been exchanged for Definitive Certificates, payment to each Sukukholder shall be made upon presentation of the Definitive Certificates (for profit payments other than the final profit payment) or against surrender of the Definitive Certificates (for the final profit payment and for principal payment).

7. Profit

One or more of the following provisions apply to each Sukuk, as specified in the applicable Final Terms.

(a) *Fixed Rate:* The following provisions in this Condition 7(a) apply to a Sukuk the profit basis for which is specified in the applicable Final Terms as being "Fixed Rate".

Each Sukuk on which profit at a Fixed Rate is to be paid shall have such profit calculated by multiplying the outstanding nominal amount of such Sukuk by the rate(s) per annum equal to the Rate(s) of Profit as specified in the applicable Final Terms and shall be for the period from and including the Profit Commencement Date, payable in arrear on the Profit Payment Date(s) in each year and on the Maturity Date specified in such Final Terms, if such date does not fall on an Profit Payment Date. The amount(s) of profit payable in respect of such Sukuk may be specified in the applicable Final Terms as the Fixed Profit Amount(s) or the Broken Amount.

The first payment of profit on a Sukuk will be made on the Profit Payment Date next following the relevant Profit Commencement Date. If the period between the Profit Commencement Date and the first Profit Payment Date is different from the period between Profit Payment Dates, the first payment of profit on a Sukuk will be the amount specified on the relevant Sukuk as being the initial Broken Amount. If the Maturity Date is not an Profit Payment Date, profit from and including the preceding Profit Payment Date (or from and including the Profit Commencement Date, as the case may be) to but excluding the Maturity Date will be the amount specified on the relevant Sukuk as being the final Broken Amount.

Profit in respect of a period which is different from the period between Profit Payment Dates (or, in the case of the first profit period, the period between the Profit Commencement Date and the first Profit Payment Date) will be calculated using the applicable Day Count Fraction.

Profit will cease to accrue on each Sukuk on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused, in which event, the Issuer shall pay compensation on such overdue amount in the amount as calculated by the Calculation Agent in the manner provided below and, in the absence of manifest error, the amount calculated as notified to the Issuer shall be binding on the Issuer and the Sukukholders.

(b) *Default compensation:* The default compensation payable in respect of amounts overdue but paid prior to the date when the relevant Sukuk is to be fully redeemed shall be one percent per annum (1% p.a.) on the amount unpaid commencing from the relevant date for payment and ending on (and excluding) the date the late payment is received by the Paying Agent.

The default compensation payable in respect of (i) amounts overdue prior to the date when the relevant Sukuk is to be fully redeemed but only paid after such date, or (ii) amounts unpaid on and from the date when the relevant Sukuk is to be fully redeemed, shall be calculated in accordance with the following formula:

$$\text{Default compensation payable} = \mathbf{A \times IIMM \times \frac{T}{365}}$$

where:-

A = any and all part of the amount remaining unpaid by the Issuer to the Sukukholders;

IIMM = the twelve (12) months Islamic Interbank Money Market rate (that is, the rate of gross dividend per annum from time to time prescribed by BNM as the indicator rate by which rates of gross dividend for twelve (12) months investment accounts held by customers of the Lead Arranger are determined);

T = the number of days for which A has been outstanding, commencing from the due date for payment of such amount to the Relevant Date.

For the avoidance of doubt, the Islamic Interbank Money Market rate to be used for any day shall be the Islamic Interbank Money Market rate quoted by BNM for that day.

Default compensation payable under this Condition shall accrue daily and be calculated on the basis of actual days elapsed in a year of three hundred and sixty five (365) days and shall be due and payable on a daily basis. So long as any monies remain unpaid, default compensation shall continue to be calculated on the same basis PROVIDED ALWAYS THAT:- (i) default compensation payable under this Condition which is unpaid shall not itself bear any compensation whatsoever, and (ii) the maximum default compensation payable on all monies remaining unpaid by the Issuer to the Sukukholders shall not exceed one hundred per cent (100%) of such monies originally unpaid by the Issuer to the Sukukholders.

(c) *Par Value and Discounted Sukuk:* In the case of a Sukuk the profit basis for which is specified in the applicable Final Terms as par value (a "**Par Value Sukuk**"), references to the amount of profit payable in respect of a Sukuk (other than as provided in Condition 11), are not applicable. If, upon the presentation of such a Sukuk, or of a Sukuk which is specified in the applicable Final Terms as discounted (a "**Discounted Sukuk**") on or after the Maturity Date, payment of principal is improperly withheld or refused, the Issuer shall pay compensation on such overdue amount in the amount as calculated by the Calculation Agent in the manner provided in Condition 7(b) and, in the absence of manifest error, the amount calculated as notified to the Issuer shall be binding on the Issuer and the Sukukholders.

(d) *Withholding Tax*: In the event that any withholding tax is imposed in respect of profit payments made by the Issuer, the sum payable by the Issuer shall be increased to the extent necessary to ensure that the relevant payee receives a sum net of any withholding equal to the sum which it would have received had no such withholding been made or required to be made.

(e) *RULES*: The foregoing provisions shall be subject to the RULES. In the event of any inconsistency the RULES shall prevail.

8. Redemption, Subscription and Options

(a) *Final Redemption and Redemption by Installments:*

(i) Unless previously redeemed or subscribed for and cancelled as provided in this Condition 8, each Sukuk shall be redeemed in full on the Maturity Date or in the Redemption Month specified in the applicable Final Terms at its redemption amount (which, unless otherwise provided in this Condition 8 or in the applicable Final Terms, is its nominal amount) ("**Final Redemption Amount**") or, in the case of a Sukuk in respect of which subparagraph (ii) below applies, its final Installment Amount.

(ii) Unless previously redeemed or subscribed for and cancelled as provided in this Condition 8, each Sukuk that provides for Installment Dates and Installment Amounts shall be partially redeemed on each Installment Date at the related Installment Amount specified in the applicable Final Terms or, if so provided in the applicable Final Terms, determined by the Calculation Agent. Upon payment in full of any Installment Amount, the outstanding nominal amount of each such Sukuk shall be reduced by such Installment Amount (or, if such Installment Amount is calculated by reference to a proportion of the nominal amount of such Sukuk, such proportion) for all purposes with effect from the related Installment Date, unless payment of the Installment Amount is improperly withheld or refused, in which case such amount shall remain outstanding until the Relevant Date relating to such Installment Amount.

(b) *Subscriptions*: The Issuer and any of its Subsidiaries may at any time subscribe for or otherwise acquire Sukuk at any price in the open market or otherwise.

(c) *Early Redemption of Sukuk issued at par or issued at discount*:

(i) The redemption amount payable in respect of any Discounted Sukuk, at any time prior to its stated Maturity Date or upon it becoming due and payable as provided in Condition 10, shall be the Amortized Face Amount (calculated as provided below) of such Sukuk.

(ii) Subject to the provisions of sub-paragraph (iii) below, the Amortized Face Amount of any Discounted Sukuk, shall be the sum of (A) the Reference Price specified in the applicable Final Terms and (B) the aggregate amortization of the difference between the Reference Price and the nominal amount of the Sukuk from the Issue Date to the date on which the Sukuk becomes due and payable, calculated using a rate per annum (expressed as a percentage) equal to the Amortization Yield applied to the Reference Price in the manner specified in such Final Terms. Where the specified calculation is to be made for a period of less than a full year it shall be made using the applicable Day Count Fraction.

(iii) If the redemption amount payable in respect of any such Sukuk upon it becoming due and payable as provided in Condition 10 is not paid when due, the redemption amount due and payable in respect of such Sukuk shall be the Amortized Face Amount of such Sukuk as defined in sub-paragraph (ii) above, except that such sub-paragraph shall have effect as though the reference therein to the date on which the Sukuk becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortized Face Amount in accordance with this sub-paragraph shall continue to be made (before and, to the extent permitted by applicable law, after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled redemption amount of such Sukuk on the Maturity Date together with any profit that may accrue in accordance with Condition 7(b).

(d) *Redemption of Sukuk with Variable Redemption Amount*: The basis for calculation of the amount payable upon redemption of a MTN with a redemption amount which is variable ("**Variable Redemption Amount**") shall be specified in the applicable Final Terms and determined in accordance with Condition 8(h).

(e) *Redemption at the Option of the Issuer and Exercise of Issuer's Options (Call Option):* If so provided in the applicable Final Terms, the Issuer may at its option, subject to compliance with all relevant laws, regulations and directives, on giving to the holder of such Sukuk irrevocable notice in accordance with Condition 14 of not less than 30 nor more than 45 days (or such other notice period as specified in the applicable Final Terms) redeem all or, if so specified in the applicable Final Terms, some of the Series of Sukuk of which such Sukuk forms part, on the Optional Redemption Date(s) specified in the applicable Final Terms at the amount specified on such date as the Optional Redemption Amount together with profit accrued to (but excluding) the date fixed for redemption. All Sukuk in respect of which any such notice is given shall be redeemed on the Optional Redemption Date(s) specified in such notice in accordance with this Condition 8(e).

In the case of a partial redemption or a partial exercise of the Issuer's option, the notice to Sukukholders shall also contain the certificate or serial numbers of the Sukuk to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place as the Facility Agent may approve and in such manner as may be agreed between the Issuer and the Facility Agent, taking account of prevailing market practice, and subject to compliance with any applicable laws and stock exchange requirements.

(f) *Redemption at the Option of Sukukholders and Exercise of Sukukholders' Options (Put Option):* If so provided in the applicable Final Terms, the Issuer shall, subject to compliance with all relevant laws, regulations and directives, at the option of the holder of such Sukuk, redeem such Sukuk on the Optional Redemption Date(s) specified in the applicable Final Terms at the amount specified in the applicable Final Terms as the Optional Redemption Amount together with profit accrued to (but excluding) the date fixed for redemption.

To exercise such options or any other Sukukholders' option that may be specified in the applicable Final Terms, the holder must deposit a duly completed option exercise notice ("**Exercise Notice**") at the office of the Facility Agent in the form obtainable from the Facility Agent not more than 60 nor less than 45 days (or such other deposit period as may be specified in the applicable Final Terms) prior to the relevant date for redemption. No Sukuk, Certificate or Exercise Notice so deposited may be withdrawn without the prior consent of the Issuer and the Facility Agent.

(g) *Cancellation:* The Issuer will be entitled to hold and deal with any Sukuk subscribed for or acquired by it which may be surrendered, for cancellation or not, at the Issuer's discretion. Any Sukuk so surrendered for cancellation may not be reissued or resold, and the obligations of the Issuer in respect of any such Sukuk shall be discharged.

(h) *Determination of Installment Amount or Variable Redemption Amount:* If the applicable Final Terms provides that any Installment Amount, Variable Redemption Amount or premium are to be determined by the Calculation Agent (or another person), then on or prior to each date the Calculation Agent (or such other person) is required to determine each such Installment Amount, Variable Redemption Amount or premium, the Calculation Agent (or such other person) will obtain any quote or rate, or make any other determination or calculation as may be required, and will determine such Installment Amount, Variable Redemption Amount or premium in accordance with the applicable Final Terms. The determination of such Installment Amount, Variable Redemption Amount or premium, and the obtaining of any quote or rate, by the Calculation Agent (or such other person) shall (in the absence of manifest error) be final and binding upon all parties. The Calculation Agent (or such other person) shall cause to be provided to the Issuer, the Facility Agent and the relevant Sukukholders (in accordance with Condition 14), the Installment Amounts, Variable Redemption Amounts or premium determined by it as soon as possible after their determination but in no event later than two Business Days after the date of their determination.

9. Forgiveness

Claims against the Issuer for payment in respect of the Sukuk shall be forgiven unless made within six years of the date in respect of which the relevant payment first becomes due.

10. Event of Default

If any of the following events ("**Events of Default**") occurs, any Sukukholder may give written notice to the Facility Agent at its specified office that such Sukuk is immediately repayable, whereupon the Final Redemption Amount or, in the case of a Sukuk in respect of which Condition 8(a)(ii) applies, all outstanding Installment Amounts, of such Sukuk together with accrued profit to the date of payment shall become immediately due and payable:

(a) default is made for more than 14 days (in the case of profit) or 7 days (in the case of principal) in the payment on the due date of profit or principal in respect of any of the Sukuk; or

(b) the Issuer does not perform or comply with any one or more of its other obligations in the Sukuk which default is incapable of remedy or, if it is capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the Facility Agent at its specified office by any Sukukholder; or

(c) the interest of the Government of Abu Dhabi either directly or indirectly in the share capital of the Issuer falls below 51%;

(d) (i) any other present or future indebtedness of the Issuer or any of its Principal Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (d) have occurred equals or exceeds U.S.$15,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

(e) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 90 days; or

(f) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any of its Principal Subsidiaries, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution; or

(g) the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution, or the Issuer or any of its Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(h) any court or other formal proceedings are initiated against the Issuer or any of its Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Issuer or the relevant Principal Subsidiary, as the case may be), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Principal Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and in any case (other than the appointment of an administrator) is not discharged within 30 days; or

(i) the Issuer or any of its Principal Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(j) any event occurs which under the laws of the United Arab Emirates or any Emirate therein or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (d) to (h) above; or

(k) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Sukuk, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Sukuk admissible in evidence in the courts of the United Arab Emirates or any Emirate therein is not taken, fulfilled or done; or

(l) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Sukuk or any of the material obligations of the Issuer thereunder are not or cease to be legal, valid, binding or enforceable.

11. Acquisition of Direct Rights

Upon the occurrence of an Event of Default or the Central Depository having notified the Issuer that it is unable or unwilling to act as depository for the Sukuk and to continue performing its duties set out in the Central Securities Depository and Paying Agency Rules, the Global Certificate becomes exchangeable for Definitive Certificates and, if not so exchanged when required by a Sukukholder then, without prejudice to any other rights which such Sukukholder may have and without the need for any further action on behalf of any person, such Sukukholder shall automatically acquire against the Issuer all those rights which such holder would have had if, immediately before the time at which the Global Certificate becomes exchangeable for Definitive Certificates, it had been the holder and beneficial owner of duly executed and authenticated Definitive Certificates in respect of interests in the Global Certificate representing the Sukuk held by such Sukukholder, including, but without limitation, the right to receive payments of principal, profit and any other amounts due at any time in respect of such Definitive Certificates, other than payments corresponding to any already made under the Global Certificate. A Sukukholder may assign its rights hereunder in whole or in part.

12. Replacement of Certificates

If the Global Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and regulations, and the terms of the Programme Agreement, at the specified office of the Facility Agent in Malaysia, or such other agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Sukukholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of the Sukuk represented by such certificate) and otherwise as the Issuer may require. Mutilated or defaced Sukuk must be surrendered before replacements will be issued.

13. Further Issues

The Issuer may from time to time without the consent of the Sukukholders or Facility Agent, create and issue further Sukuk either having the same terms and conditions as the Sukuk in all respects (or in all respects except for the first payment of profit on them) so as to form a single issue and so that such further issue shall be consolidated and form a single series with the outstanding Sukuk of any Series, or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Sukuk include (unless the context requires otherwise) any other Sukuk issued pursuant to this Condition and forming a single series with any Series of the Sukuk.

14. Notices

All notices regarding the Sukuk shall be validly given if published in a leading daily newspaper printed in the English language of general circulation in Malaysia or by publication through any electronic information dissemination system operated by the Central Depository, such as FAST.

Notices to be given by any Sukukholder pursuant hereto (including to the Issuer) shall be in writing and given by lodging the same with the Facility Agent.

The Issuer will give notice in the manner herein provided on the occurrence of any Event of Default or the occurrence of any event which would materially and adversely affect the ability of the Issuer to make any payment due on the Sukuk.

All notices shall be given in the English language.

15. Meetings of Sukukholders

The Programme Agreement contains provisions for convening meetings of Sukukholders to consider matters affecting their interests, including the modification of any of the terms of the Sukuk. Any such modification may be made if sanctioned by an Extraordinary Resolution. The quorum for any meeting convened to consider an Extraordinary Resolution will be persons holding or representing a clear majority in principal amount of the Sukuk for the time being outstanding, or at any adjourned meeting, two or more persons being or representing Sukukholders whatever the principal amount of the Sukuk held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to postpone the maturity of the Sukuk or the dates on which profit is payable in respect of the Sukuk or the dates on which interest is payable in respect of the MTNs, (ii) to reduce or cancel the principal amount of, or profit on, the Sukuk, or to reduce or cancel the principal amount of, or interest on, the MTNs (iii) to change the currency of payment of the Sukuk or (iv) to modify the provisions concerning the quorum required at any meeting of Sukukholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent, or at any adjourned meeting not less than 25 per cent, in principal amount of the Sukuk for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Sukukholders (whether or not they were present at the meeting at which such resolution was passed).

16. Governing Law and Jurisdiction

The Sukuk are governed by, and shall be construed in accordance with, the laws of Malaysia.

The courts of Malaysia are to have jurisdiction to settle any disputes which may arise out of or in connection with the Sukuk and accordingly any legal action or proceedings arising out of or in connection with the Sukuk ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to any

Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

17. Agent for Service of Process

The Issuer irrevocably appoints Messrs. Kadir, Andri & Partners (Address: 8th Floor, Menara Safuan, 80, Jalan Ampang, 50450 Kuala Lumpur, Malaysia) as its authorized agent for service of process in Malaysia. If for any reason such agent shall cease to be such agent for the service of process, the Issuer shall forthwith appoint a new agent for service of process in Malaysia and (a) deliver to the Facility Agent a copy of the new agent's acceptance of that appointment within 30 days, and (b) publish a notice, in accordance with Condition 14, of such new appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

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5. Terms and Conditions of the Subordinated Sukuk

*The following is a description of the Murabahah transactions pursuant to which the Subordinated Sukuk may be issued but such description will **not** appear on the global certificate issued in respect of the relevant Subordinated Sukuk nor be incorporated by reference into or appear on any definitive certificate.*

The Issuer may issue the Subordinated Sukuk under the Shariah principle of Murabahah. Each issuance of the Subordinated Sukuk Murabahah under the NBAD MYR Programme shall be effected by way of discrete commodity Murabahah transactions as follows:

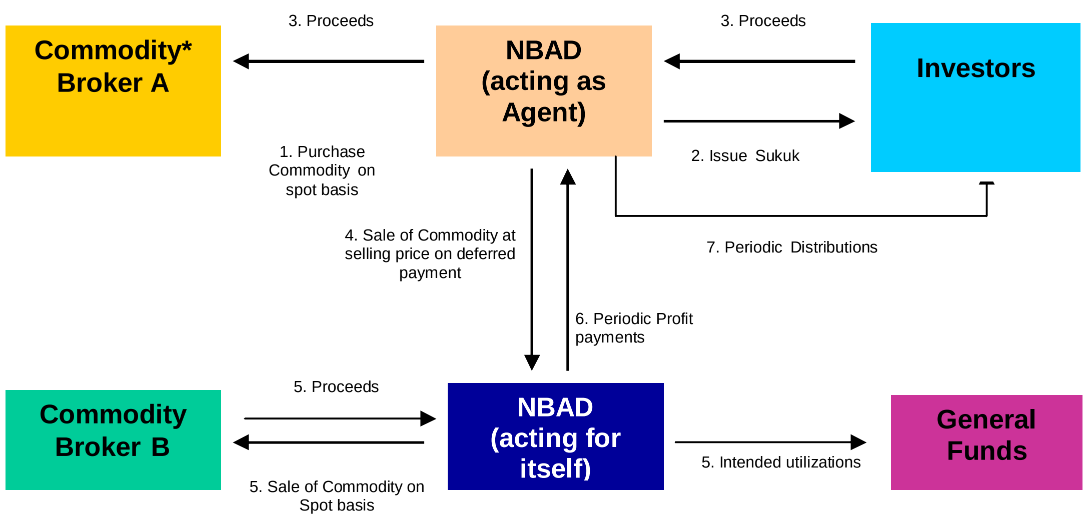
1. The Issuer, acting on behalf of the investors (in such capacity, the **"Agent"**), shall purchase on a spot basis a Shariah-compliant commodity (excluding ribawi items such as currency, gold and silver) (the "**Commodity**") from Broker A at a purchase price (the **"Purchase Price"**) on the Issue Date, after receiving a purchase order (the **"Purchase Order"**) from NBAD (acting for itself). In the Purchase Order, NBAD will irrevocably undertake to purchase the Commodity from investors (through the Agent) at a sale price (the **"Deferred Sale Price"**) payable on a deferred payment basis (in lump sum or instalment).

2. Upon purchasing the Commodity from Broker A on the Issue Date, the Issuer shall issue Subordinated Sukuk Murabahah to the investors to raise the Purchase Price. Under the terms of the Subordinated Sukuk Murabahah, the Issuer will declare a trust in favour of the investors over the Commodity (so long as title thereto is vested in the Issuer) and all rights against NBAD under the Purchase Order (including the right to, and to be paid, the Deferred Sale Price). The Subordinated Sukuk Murabahah shall evidence the investors' ownership of the Commodity and all such rights.

3. The proceeds received from the investors shall be used by the Agent to fund the Purchase Price of the Commodity from Broker A.

4. On the Issue Date, the Agent shall sell the Commodity to NBAD (acting for itself) on a spot basis at the Deferred Sale Price which shall amount to the Purchase Price plus a profit margin payable in one lump sum or on an instalment payment basis.

5. Upon completion of the sale of the Commodity from the Agent to NBAD, NBAD shall sell the Commodity to Broker B on the Issue Date for cash consideration on spot basis for an amount equal to the Purchase Price.



The foregoing transaction structure relating to the issue of the Subordinated Sukuk has been approved by HSBC Amanah Malaysia Berhad Shariah Committee, Maybank Islamic Berhad Shariah Committee and

RBS Berhad Shariah Committee. Prospective holders of the Subordinated Sukuk should not rely on such approval in deciding whether to make an investment in the Subordinated Sukuk and should obtain their own independent Shariah advice as to whether each of the structure, the issue and the trading of the Subordinated Sukuk is in compliance with Shariah principles.

Terms and Conditions of the Subordinated Sukuk

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Final Terms, will apply to the Subordinated Sukuk referred to in such Final Terms and will appear on the global certificate issued in respect of the relevant Subordinated Sukuk and, if issued, will be incorporated by reference into or appear on each definitive certificate except to the extent they are appropriate only to the global certificate:

The implementation of the programme established by NBAD for the issue of conventional medium term notes ("**MTNs**") and Islamic securities ("**Sukuk**") of up to an aggregate nominal amount of RM3,000,000,000 ("**NBAD MYR Programme**") and the issuance of Sukuk thereunder been duly authorized by the resolution of the Board of Directors of the Issuer dated 25 July 2007. The issue has been approved by the relevant regulatory authorities of Malaysia. The Sukuk are issued pursuant to a programme agreement (the "**Programme Agreement"**) dated 10 June 2010 (and amended and restated on 5 July 2012) between the Issuer, The Royal Bank of Scotland Berhad as lead arranger (the "**Lead Arranger**") and as facility agent (the "**Facility Agent"**, which expression shall, wherever the context so admits, include any substitute facility agent) and Maybank Investment Bank Berhad, HSBC Bank Malaysia Berhad, HSBC Amanah Malaysia Berhad and The Royal Bank of Scotland Berhad as joint lead managers (the "**Joint Lead Managers**"). Certain provisions of these Conditions are summaries of, and are subject to, the detailed provisions of the Programme Agreement. The holders for the time being of the Subordinated Sukuk (the "**Subordinated Sukukholders**") are bound by, and are deemed to have notice of, all the provisions of the Programme Agreement and the Central Securities and Depository Paying Agency Rules. Copies of the Programme Agreement and the Central Securities and Depository Paying Agency Rules are available for inspection at the office of the Facility Agent at Level 9, Menara Maxis, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

1. Interpretation

(c) Definitions

In these terms and conditions of the Subordinated Sukuk (the "**Conditions**"), the following expressions have the following meanings:

"**ADIs**" financial institutions licensed under the Banking and Financial Institutions Act 1989 or the Islamic Banking Act 1983 who are members of RENTAS and authorised or approved by BNM to receive and make payments relating to debt securities and to effect transfers of debt securities;

"**BNM**" Bank Negara Malaysia;

"**Broken Amount**" means the amount specified in the applicable Final

Terms as the "Broken Amount";

"**Business Day**" means a day (other than Friday, Saturday or Sunday) on which commercial banks and foreign exchange markets in Kuala Lumpur and Abu Dhabi are open for business;

"**Business Day Convention**" means either:

(i) the "Modified Following Business Day Convention", in which case profit on a Subordinated Sukuk shall be payable on such Specified Profit Payment Dates as may be specified in the applicable Final Terms, provided that, if any Specified Profit Payment Date would otherwise fall on a date which is not a Business Day, the relevant Specified Profit Payment Date will be the first following day which is a Business Day, unless that day falls in the next calendar month, in which case the relevant Specified Profit Payment Date will be the first preceding day which is a Business Day; or

(ii) the "Following Business Day Convention", in which case profit on a Subordinated Sukuk shall be payable on such Specified Profit Payment Dates as may be specified in the applicable Final Terms, provided that, if any Specified Profit Payment Date would otherwise fall on a date which is not a Business Day, the relevant Specified Profit Payment Date will be the first following day which is a Business Day; or

(iii) the "Preceding Business Day Convention", in which case profit on a Subordinated Sukuk shall be payable on such Specified Profit Payment Dates as may be specified in the applicable Final Terms, provided that, if any Specified Profit Payment Date would otherwise fall on a date which is not a Business Day, the relevant Specified Profit Payment Date will be the first preceding day which is a Business Day; or

(iv) such other Business Day Convention as may be specified in the applicable Final Terms.

"**Central Depository**" means MyClear as agent of BNM acting as depository in respect of the Global Certificates pursuant to the Central Securities Depository and Paying Agency

Rules.

"**Central Securities Depository and Paying Agency Rules**"	means the rules and procedures governing the depository and paying agency services provided by MyClear as agent for BNM in relation to securities deposited in RENTAS.
"**Conditions**"	means these terms and conditions or any one of them;
"**Commodities**"	means the Shariah compliant commodities (excluding ribawi items such as currency, gold and silver) as approved by the Shariah Advisers and specified in the applicable Final Terms as being the subject of the relevant Islamic Transaction Documents;
"**Day Count Fraction**"	means, in respect of the calculation of an amount of profit on any Subordinated Sukuk for any period of time (from and including the first day of such period to but excluding the last, whether or not constituting an Profit Period, the "**Calculation Period**"): (i) "Actual/365" which is the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365); or (ii) such other calculation basis as is approved by the Shariah Advisers and specified in the applicable Final Terms.
"**Discounted Sukuk**"	means a Subordinated Sukuk which is specified in the applicable Final Terms as discounted;
"**Depository Procedures**"	means procedures established from time to time by the Central Depository;
"**Exercise Notice**"	has the meaning ascribed to it in Condition 7(f) of these Conditions;
"**FAST**"	the Fully Automated System for Issuing/Tendering being an electronic tendering system operated by BNM whereby persons approved by BNM to participate in such system may submit their tenders electronically.
"**Final Terms**"	means each document titled as such and executed by, *inter alia*, NBAD in relation to each issue of

	Subordinated Sukuk to set forth the specific terms for such issue of Subordinated Sukuk;
"**Final Redemption Amount**"	has the meaning ascribed to it in Condition 7(a)(i) of these Conditions;
"**Fixed Profit Amount**"	means the amount specified in the applicable Final Terms as the "Fixed Profit Amount";
"**Issue**"	means an issue from time to time of Subordinated Sukuk in accordance with the provisions of the Programme Agreement;
"**Issue Date**"	means the date of Issue of a relevant Series of Subordinated Sukuk;
"**Maturity Date**"	means the date specified in the applicable Final Terms as the "Maturity Date";
"**MyClear**"	**MALAYSIAN ELECTRONIC CLEARING CORPORATION SDN BHD** (Company No. 836743-D), a wholly-owned subsidiary of BNM, incorporated in October 2008.
"**MyClear Procedures**"	the Operational Procedures for Securities Services and any other prevailing rules as may be issued by BNM or MyClear from time to time affecting the issuance and trading of the Subordinated Sukuk through FAST and/or on RENTAS.
"**MyClear Rules**"	means the Participation and Operation Rules for Payments and Securities Services and any other prevailing rules as may be issued by BNM or MyClear from time to time affecting the issuance and trading of the Subordinated Sukuk through FAST and/or on RENTAS.
"**Notes**"	collectively the MTNs (including the Subordinated MTNs) and the Sukuk (including the Subordinated Sukuk) issued by NBAD under the NBAD MYR Programme;
"**Noteholder**"	(in relation to a Note) "holder" means the several persons who are for the time being the beneficial owners of the Notes as evidenced by the records maintained by ADIs and/or a bearer of a Definitive Certificate;
"**Par Value Sukuk**"	means any Subordinated Sukuk the profit basis for which is specified in the applicable Final Terms as par value;

“**Proceedings**”	has the meaning ascribed to it in Condition 15 of these Conditions;
“**Profit Determination Date**”	means, in respect of any Profit Period, that number of days (if any) specified in the applicable Final Terms prior to the first day of such Profit Period on which the Rate of Profit is determined;
“**Profit Payment Date**”	means the date on which Profit is payable and the last Profit Payment Date shall be on the Redemption Date of that Subordinated Sukuk and shall fall on a Business Day;
“**Profit Period**”	means, unless otherwise specified in the applicable Final Terms, the period beginning on and including the Profit Commencement Date to but excluding the first Specified Profit Payment Date and each successive period beginning on and including a Specified Profit Payment Date to but excluding the next succeeding Specified Profit Payment Date;
“**Profit Commencement Date**”	means, in the case of the first issue of a Series of Subordinated Sukuk, the Issue Date of such Subordinated Sukuk or such other date as may be specified as the Profit Commencement Date in the applicable Final Terms and, in the case of a further issue of a Series of Subordinated Sukuk on substantially identical terms, the Profit Payment Date or, as the case may be, Specified Profit Payment Date in relation to such first issue immediately preceding the date on which such Series of Subordinated Sukuk are issued or if there is no such date, the Profit Commencement Date in respect of such first issue, or in any case such other date as may be specified as the Profit Commencement Date in the applicable Final Terms;
“**Rate(s) of Profit**”	means the rate specified in the applicable Final Terms as the “Rate(s) of Profit”;
“**RBS Berhad**”	means The Royal Bank of Scotland Berhad (Company Number: 301932-A);
“Relevant Date”	in respect of any Subordinated Sukuk means the date on which payment of principal and profit due in respect of such Subordinated Sukuk is made in full;
“**Relevant Time**”	means the local time in Kuala Lumpur at which it is customary to determine bid, offered and mean rates in respect of deposits in Ringgit in the interbank money market;

"**RENTAS**"	the scripless book-entry securities trading and funds transfer system known as Real Time Electronic Transfer of Funds and Securities System maintained by BNM as varied, upgraded or substituted from time to time;
"**RENTAS Rules**"	Rules on Scripless Securities under RENTAS, 2006 issued by BNM, as may be modified, revised or substituted from time to time by BNM;
"**RULES**"	(a) the RENTAS rules; (b) the Rules on the FAST for Issuing/Tendering 2006 issued by BNM and as modified or revised or substituted from time to time by BNM; and/or (c) the MyClear Procedures and MyClear Rules as modified or revised or substituted from time to time, whichever is applicable.
"**Series**"	a series of Subordinated Sukuk having identical terms;
"**Shariah Advisers**"	means in relation to the initial issue of the Subordinated Sukuk, HSBC Amanah Malaysia Berhad Shariah Committee, Maybank Islamic Berhad Shariah Committee and Amanie Advisors Sdn. Bhd. (on behalf of The Royal Bank of Scotland Berhad) (the "**Shariah Advisers**"). In relation to each subsequent issue of the Subordinated Sukuk, any combination of the Shariah Advisers or other Shariah advisers, or any of them individually, as may be appointed in relation to that issue;
"**Specified Dominations**"	means denominations specified in the applicable Final Terms;
"**Specified Profit Payment Date**"	means either (i) each date which falls in the Specified Period specified in the applicable Final Terms after the preceding Specified Profit Payment Date or, in the case of the first Specified Profit Payment Date, after the Profit Commencement Date or (ii) as is otherwise specified as such in the applicable Final Terms, in each case as adjusted by the Business Day Convention specified in such Final Terms; and
"**Subordinated Sukukholders**"	means the several persons who are for the time being the beneficial owners of the Subordinated Sukuk as evidenced by the records maintained by the ADIs or a

bearer of a Definitive Certificate in relation to such Subordinated Sukuk.

"**Trust Assets**"	means, in relation to each Series: (i) title to the relevant Commodities for as long as such title is vested in the Issuer; (ii) all rights to the proceeds of any sale of such Commodities; and (iii) all rights of the Issuer under the relevant Islamic Transaction Documents to which it is a party; and
"**Trust Deed**"	means the Trust Deed constituting the Subordinated Sukuk entered into between the Trustee and the Issuer dated 5 July 2012;
"**Trustee**"	means **MAYBANK TRUSTEES BERHAD (formerly known as Mayban Trustees Berhad)** (Company No. 5004-P), a company incorporated in Malaysia and having its registered office at 34th Floor, Menara Maybank, 100 Jalan Tun Perak, 50050 Kuala Lumpur ;
"Variable Redemption Amount"	has the meaning ascribed to it in Condition 7(d) of these Conditions.

(d) Terms defined in the Programme Agreement shall have the same meanings when used herein unless they are otherwise defined herein or the context otherwise requires.

2. Form, Denomination and Title

(a) The Subordinated Sukuk, unless exchanged for definitive certificates ("**Definitive Certificates**") pursuant to Clause 9 of the Programme Agreement, are represented by a global certificate (the "**Global Certificate"**) in bearer form. The Global Certificate will be deposited with the Central Depository. Owners of beneficial interests in the Subordinated Sukuk will not be entitled to receive physical delivery of the Global Certificate. Definitive Certificates, if issued, shall be in Specified Denominations.

(b) Title to the Subordinated Sukuk passes by delivery. The Issuer will treat the holder of the Global Certificate as the absolute owner of the Global Certificate, free of any equity, set-off or counterclaim on the part of the Issuer against the original or any intermediate holder of such certificate (whether or not the Subordinated Sukuk represented by such certificate shall become overdue and notwithstanding any notation of ownership or other writing thereon or any notice of previous loss or theft of such certificate) for all purposes save as otherwise herein provided in relation to the Global Certificate and, except as ordered by a court of competent jurisdiction or as required by applicable law, the Issuer shall not be affected by any notice to the contrary. All payments made to any such holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for the moneys payable upon the Subordinated Sukuk.

(c) Transfers of beneficial interests in the Subordinated Sukuk will be effected through records maintained by the Central Depository and the Authorised Depository Institutions

(“**ADIs**”) appointed by the Central Depository in accordance with the RULES. Transfers of such interests will be subject to compliance by the transferor and the transferee with the RULES. Any transfer of interests in the Subordinated Sukuk shall be subject to the Selling Restrictions contained in and endorsed on the Global Certificate.

3. Declaration of Trust

(a) With respect to each Series and with effect from the Issue Date of such Series, the Issuer declares that, for as long as the Subordinated Sukuk of that Series remains outstanding, the Issuer shall hold the Trust Assets on trust as the agent (wakeel) acting for the Subordinated Sukukholders.

(b) The Issuer covenants, in relation to its role as agent (wakeel), to observe and perform all its obligations and liabilities under, and will enforce, the terms of the relevant Islamic Transaction Documents and apply all amounts received pursuant to the relevant Islamic Transaction Documents in meeting its obligations to the Subordinated Sukukholders under the Conditions.

4. Status

Each Series of the Subordinated Sukuk represents undivided beneficial ownership of the Trust Assets of the relevant Series and are also subordinated and unsecured obligations of the Issuer ranking pari passu and without any preference among themselves and pari passu with all other outstanding unsecured and subordinated obligations for borrowed money or other indebtedness of the Issuer.

The payment obligations of the Issuer in respect of the Subordinated Sukuk (whether on account of principal, profit or otherwise) will be subordinated to all unsubordinated payment obligations of the Issuer in the manner described below but will rank pari passu with all other subordinated payment obligations of the Issuer which do not rank or are not expressed by their terms to rank junior to the payment obligations under the Subordinated Sukuk and in priority to all claims of shareholders of the Issuer. The rights of the holders of Subordinated Sukuk against the Issuer are subordinated in right of payment to the claims of all Senior Creditors of the Issuer. Accordingly, payments in respect of the Subordinated Sukuk (whether on account of principal, profit or otherwise) by the Issuer are conditional upon the Issuer being solvent at the time of such payment. No payment shall be payable by the Issuer in respect of the Subordinated Sukuk except to the extent that the Issuer could make such payment and any other payment required to be made to a creditor in respect of indebtedness which ranks or is expressed to rank pari passu with the Subordinated Sukuk and still be solvent immediately thereafter.

For this purpose, the Issuer shall be solvent if (i) it is able to pay its debts as they fall due and (ii) its assets exceed its liabilities, and the “Senior Creditors” shall mean creditors of the Issuer (including depositors) other than creditors in respect of indebtedness where, by the terms of such indebtedness, the claims of the holders of that indebtedness rank or are expressed to rank pari passu with, or junior to, the claims of the Subordinated Sukukholder. Each holder of a Subordinated Sukuk unconditionally and irrevocably waives any right of setoff, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Sukuk. No collateral is or will be given for the payment obligations under the Subordinated Sukuk and any collateral that may have been or may in the future be given in connection with other indebtedness of the Issuer shall not secure the payment obligations under the Subordinated Sukuk.

5. Payments

(a) Subject to any fiscal or other laws or regulations applicable to the Paying Agent, all payments in respect of the Subordinated Sukuk will be made in Ringgit in accordance with the RULES or in such manner as the Paying Agent and the Issuer may agree. Every payment to the Paying Agent in respect of the Subordinated Sukuk in the manner provided in the Central Securities Depository and Paying Agency Rules shall operate in satisfaction pro tanto of the payment obligations of the Issuer in respect of the principal amount of the Subordinated Sukuk and the relevant profit payment as the case may be.

(b) If the Global Certificate has been exchanged for Definitive Certificates, payment to each Subordinated Sukukholder shall be made upon presentation of the Definitive Certificates (for profit payments other than the final profit payment) or against surrender of the Definitive Certificates (for the final profit payment and for principal payment).

6. Profit

One or more of the following provisions apply to each Subordinated Sukuk, as specified in the applicable Final Terms.

(a) *Fixed Rate:* The following provisions in this Condition 6(a) apply to a Subordinated Sukuk the profit basis for which is specified in the applicable Final Terms as being "Fixed Rate".

Each Subordinated Sukuk on which profit at a Fixed Rate is to be paid shall have such profit calculated by multiplying the outstanding nominal amount of such Subordinated Sukuk by the rate(s) per annum equal to the Rate(s) of Profit as specified in the applicable Final Terms and shall be for the period from and including the Profit Commencement Date, payable in arrear on the Profit Payment Date(s) in each year and on the Maturity Date specified in such Final Terms, if such date does not fall on an Profit Payment Date. The amount(s) of profit payable in respect of such Subordinated Sukuk may be specified in the applicable Final Terms as the Fixed Profit Amount(s) or the Broken Amount.

The first payment of profit on a Subordinated Sukuk will be made on the Profit Payment Date next following the relevant Profit Commencement Date. If the period between the Profit Commencement Date and the first Profit Payment Date is different from the period between Profit Payment Dates, the first payment of profit on a Subordinated Sukuk will be the amount specified on the relevant Subordinated Sukuk as being the initial Broken Amount. If the Maturity Date is not an Profit Payment Date, profit from and including the preceding Profit Payment Date (or from and including the Profit Commencement Date, as the case may be) to but excluding the Maturity Date will be the amount specified on the relevant Subordinated Sukuk as being the final Broken Amount.

Profit in respect of a period which is different from the period between Profit Payment Dates (or, in the case of the first profit period, the period between the Profit Commencement Date and the first Profit Payment Date) will be calculated using the applicable Day Count Fraction.

Profit will cease to accrue on each Subordinated Sukuk on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused, in which event, the Issuer shall pay compensation on such overdue amount in the amount as calculated by the Calculation Agent in the manner provided below and, in the absence of manifest error, the amount calculated as notified to the Issuer shall be binding on the Issuer and the Subordinated Sukukholders.

(b) *Default compensation:* The default compensation payable in respect of amounts overdue but paid prior to the date when the relevant Subordinated Sukuk is to be fully redeemed shall be one percent per annum (1% p.a.) on the amount unpaid commencing from the relevant date for payment and ending on (and excluding) the date the late payment is received by the Paying Agent.

The default compensation payable in respect of (i) amounts overdue prior to the date when the relevant Subordinated Sukuk is to be fully redeemed but only paid after such date, or (ii) amounts unpaid on and from the date when the relevant Subordinated Sukuk is to be fully redeemed, shall be calculated in accordance with the following formula:

$$\text{Default compensation payable} = \mathbf{A \times IIMM \times \frac{T}{365}}$$

where:-

A = any and all part of the amount remaining unpaid by the Issuer to the Subordinated Sukukholders;

IIMM = the twelve (12) months Islamic Interbank Money Market rate (that is, the rate of gross dividend per annum from time to time prescribed by BNM as the indicator rate by which rates of gross dividend for twelve (12) months investment accounts held by customers of the Lead Arranger are determined);

T = the number of days for which A has been outstanding, commencing from the due date for payment of such amount to the Relevant Date.

For the avoidance of doubt, the Islamic Interbank Money Market rate to be used for any day shall be the Islamic Interbank Money Market rate quoted by BNM for that day.

Default compensation payable under this Condition shall accrue daily and be calculated on the basis of actual days elapsed in a year of three hundred and sixty five (365) days and shall be due and payable on a daily basis. So long as any monies remain unpaid, default compensation shall continue to be calculated on the same basis PROVIDED ALWAYS THAT:- (i) default compensation payable under this Condition which is unpaid shall not itself bear any compensation whatsoever, and (ii) the maximum default compensation payable on all monies remaining unpaid by the Issuer to the Subordinated Sukukholders shall not exceed one hundred per cent (100%) of such monies originally unpaid by the Issuer to the Subordinated Sukukholders.

(c) *Par Value and Discounted Sukuk:* In the case of a Subordinated Sukuk the profit basis for which is specified in the applicable Final Terms as par value (a "**Par Value Sukuk**"), references to the amount of profit payable in respect of a Subordinated Sukuk (other than as provided in Condition 10), are not applicable. If, upon the presentation of such a Subordinated Sukuk, or of a Subordinated Sukuk which is specified in the applicable Final Terms as discounted (a "**Discounted Sukuk**") on or after the Maturity Date, payment of principal is improperly withheld or refused, the Issuer shall pay compensation on such overdue amount in the amount as calculated by the Calculation Agent in the manner provided in Condition 6(b) and, in the absence of manifest error, the amount calculated as notified to the Issuer shall be binding on the Issuer and the Subordinated Sukukholders.

(d) *Withholding Tax*: In the event that any withholding tax is imposed in respect of profit payments made by the Issuer, the sum payable by the Issuer shall be increased to the extent necessary to ensure that the relevant payee receives a sum net of any withholding equal to the sum which it would have received had no such withholding been made or required to be made.

(e) *RULES*: The foregoing provisions shall be subject to the RULES. In the event of any inconsistency the RULES shall prevail.

7. Redemption, Subscription and Options

(a) *Final Redemption and Redemption by Installments:*

(i) Unless previously redeemed or subscribed for and cancelled as provided in this Condition 7, each Subordinated Sukuk shall be redeemed in full on the Maturity Date or in the Redemption Month specified in the applicable Final Terms at its redemption amount (which, unless otherwise provided in this Condition 7 or in the applicable Final Terms, is its nominal amount) ("**Final Redemption Amount**") or, in the case of a Subordinated Sukuk in respect of which subparagraph (ii) below applies, its final Installment Amount.

(ii) Unless previously redeemed or subscribed for and cancelled as provided in this Condition 7, each Subordinated Sukuk that provides for Installment Dates and Installment Amounts shall be partially redeemed on each Installment Date at the related Installment Amount specified in the applicable Final Terms or, if so provided in the applicable Final Terms, determined by the Calculation Agent. Upon payment in full of any Installment Amount, the outstanding nominal amount of each such Subordinated Sukuk shall be reduced by such Installment Amount (or, if such Installment Amount is calculated by reference to a proportion of the nominal amount of such Subordinated Sukuk, such proportion) for all purposes with effect from the related Installment Date, unless payment of the Installment Amount is improperly withheld or refused, in which case such amount shall remain outstanding until the Relevant Date relating to such Installment Amount.

(b) *Subscriptions*: The Issuer, its Subsidiaries or agent(s) of the Issuer may (subject to the prior approval of the Central Bank of the United Arab Emirates (the "**Regulator**", which expression shall include its successors as the banking regulator in the United Arab Emirates) having been obtained, where such approval is necessary) at any time subscribe for or otherwise acquire Subordinated Sukuk at any price in the open market or otherwise. All Subordinated Sukuk which are redeemed by the Issuer, its Subsidiaries or agent(s) of the Issuer shall be cancelled forthwith by or on behalf of the Issuer and may not be reissued or resold.

(c) *Early Redemption of Subordinated Sukuk issued at par or issued at discount*:

(i) The redemption amount payable in respect of any Discounted Sukuk, at any time prior to its stated Maturity Date or upon it becoming due and payable as provided in Condition 9, shall be the amortized face amount ("**Amortized Face Amount**") (calculated as provided below) of such Subordinated Sukuk.

(ii) Subject to the provisions of sub-paragraph (iii) below, the Amortized Face Amount of any Discounted Sukuk, shall be the sum of (A) the Reference Price specified in the applicable Final Terms and (B) the aggregate amortization of the difference between the Reference Price and the nominal amount of the Subordinated Sukuk from the Issue Date to the date on which the Subordinated Sukuk becomes due and payable, calculated using a rate per annum (expressed as a percentage) equal to the Amortization Yield applied to the Reference Price in the manner specified in such Final Terms. Where the specified calculation is to be made for a period of less than a full year it shall be made using the applicable Day Count Fraction.

(iii) If the redemption amount payable in respect of any such Subordinated Sukuk upon it becoming due and payable as provided in Condition 9 is not paid when due, the redemption amount due and payable in respect of such Subordinated Sukuk shall be the Amortized Face Amount of such Subordinated Sukuk as defined in sub-paragraph (ii) above, except that such sub-paragraph shall have effect as though the reference therein to the date on which the Subordinated Sukuk becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortized Face Amount in accordance with this sub-paragraph shall continue to be made (before and, to the extent permitted by applicable law, after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled redemption amount of such Subordinated Sukuk on the Maturity Date together with any profit that may accrue in accordance with Condition 6(b).

(d) *Redemption of Subordinated Sukuk with Variable Redemption Amount*: The basis for calculation of the amount payable upon redemption of a Subordinated Sukuk with a redemption amount which is variable ("**Variable Redemption Amount**") shall be specified in the applicable Final Terms and determined in accordance with Condition 7(h).

(e) *Redemption at the Option of the Issuer and Exercise of Issuer's Options (Call Option):* If so provided in the applicable Final Terms, the Issuer may at its option, subject to compliance with all relevant laws, regulations and directives (including any requirement for the prior approval of the Central Bank of the United Arab Emirates or its successor as the banking regulator in the United Arab Emirates, where necessary), on giving to the holder of such Subordinated Sukuk irrevocable notice in accordance with Condition 13 of not less than 30 nor more than 45 days (or such other notice period as specified in the applicable Final Terms) redeem all or, if so specified in the applicable Final Terms, some of the Series of Subordinated Sukuk of which such Subordinated Sukuk forms part, on the Optional Redemption Date(s) specified in the applicable Final Terms at the amount specified on such date as the Optional Redemption Amount together with profit accrued to (but excluding) the date fixed for redemption. All Subordinated Sukuk in respect of which any such notice is given shall be redeemed on the Optional Redemption Date(s) specified in such notice in accordance with this Condition 7(e).

In the case of a partial redemption or a partial exercise of the Issuer's option, the notice to Subordinated Sukukholders shall also contain the certificate or serial numbers of the Subordinated Sukuk to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place as the Facility Agent may approve and in such manner as may be agreed between the Issuer and the Facility Agent, taking account of prevailing market practice, and subject to compliance with any applicable laws and stock exchange requirements.

(f) *Redemption at the Option of Subordinated Sukukholders and Exercise of Subordinated Sukukholders' Options (Put Option):* If so provided in the applicable Final Terms, the Issuer shall, subject to compliance with all relevant laws, regulations and directives (including any requirement for the prior approval of any regulatory authority, where necessary), at the option of the holder of such Subordinated Sukuk, redeem such Subordinated Sukuk on the Optional Redemption Date(s) specified in the applicable Final Terms at the amount specified in the applicable Final Terms as the Optional Redemption Amount together with profit accrued to (but excluding) the date fixed for redemption.

To exercise such options or any other Subordinated Sukukholders' option that may be specified in the applicable Final Terms, the holder must deposit a duly completed option exercise notice ("**Exercise Notice**") at the office of the Facility Agent in the form obtainable from the Facility Agent not more than 60 nor less than 45 days (or such other deposit period as may be specified in the applicable Final Terms) prior to the relevant date for redemption. No Subordinated Sukuk, Certificate or Exercise Notice so deposited may be withdrawn without the prior consent of the Issuer and the Facility Agent.

(g) *Cancellation:* The Issuer, its Subsidiaries or agent(s) of the Issuer will be entitled to subscribe for or acquire any Subordinated Sukuk. Any such Subordinated Sukuk which are subscribed for or acquired shall be surrendered for cancellation by or on behalf of the Issuer and may not be reissued or resold, and the obligations of the Issuer in respect of any such Subordinated Sukuk shall be discharged.

(h) *Determination of Installment Amount or Variable Redemption Amount:* If the applicable Final Terms provides that any Installment Amount, Variable Redemption Amount or premium are to be determined by the Calculation Agent (or another person), then on or prior to each date the Calculation Agent (or such other person) is required to determine each such Installment Amount, Variable Redemption Amount or premium, the Calculation Agent (or such other person) will obtain any quote or rate, or make any other determination or calculation as may be required, and will determine such Installment Amount, Variable Redemption Amount or premium in accordance with the applicable

Final Terms. The determination of such Installment Amount, Variable Redemption Amount or premium, and the obtaining of any quote or rate, by the Calculation Agent (or such other person) shall (in the absence of manifest error) be final and binding upon all parties. The Calculation Agent (or such other person) shall cause to be provided to the Issuer, the Facility Agent and the relevant Subordinated Sukukholders (in accordance with Condition 13), the Installment Amounts, Variable Redemption Amounts or premium determined by it as soon as possible after their determination but in no event later than two Business Days after the date of their determination.

8. Forgiveness

Claims against the Issuer for payment in respect of the Subordinated Sukuk shall be forgiven unless made within six years of the date in respect of which the relevant payment first becomes due.

9. Event of Default

(a) Event of Default

If any one or more of the following events (each an "**Event of Default**") shall occur and be continuing:

(i) default is made in the payment of any amount due under any Subordinated Sukuk or any of them and the default continues for a period of seven days; or

(ii) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution; or

(iii) the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(iv) (A) proceedings are initiated against the Issuer under any applicable liquidation, register/insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Issuer), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of the Issuer, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of the Issuer and (B) in any case (other than the appointment of an administrator) is not discharged within 14 days; or

(v) the Issuer initiates or consents to judicial disclaimer proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(vi) any event occurs which terms under the laws of the United Arab Emirates or any Emirate therein or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (i) to (v) the above,

the Trustee:

1. may, at the Trustee's discretion (subject to its right under the Trust Deed to be indemnified); or

2. shall, (subject to its right under the Trust Deed to be indemnified) if so directed by a Extraordinary Resolution of the Subordinated Sukukholders,

declare (by giving notice thereof to the Issuer) that such Subordinated Sukuk is immediately repayable, whereupon the Final Redemption Amount or, in the case of a Subordinated Sukuk in respect of which Condition 7(a)(ii) applies, all outstanding Installment Amounts, of such Subordinated Sukuk together with accrued profit to the date of payment shall become immediately due and payable.

(b) Enforcement

At any time after the Subordinated Sukuk shall have become due and immediately repayable under the provisions this Condition, the Trustee, subject to its right to indemnification under the Trust Deed, shall enforce all payment obligations under the Subordinated Sukuk only by way of instituting proceedings in the United Arab Emirates or any Emirate therein (but not elsewhere) for the dissolution and liquidation of the Issuer and/or by proving for the amount due and payable under the Subordinated Sukuk in the liquidation or administration of the Issuer.

(c) Breach of Obligations

To the extent permitted by applicable law and by these Conditions and provided:

(a) the Trustee has failed to make the declaration referred to in Condition 9(a); and

(b) the Trustee has failed to enforce the payment obligations under the Subordinated Sukuk,

a holder of the Subordinated Sukuk may at its discretion institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Subordinated Sukuk, but the institution of such proceedings shall not have the effect that the Issuer shall be obliged to pay any sum or sums sooner than would otherwise have been payable by it.

(d) Other Remedies

No remedy against the Issuer, other than the institution of the proceedings referred to in paragraph (a) or (c) above and the proving or claiming in any dissolution and liquidation of the Issuer, shall be available to the holders of the Subordinated Sukuk whether for the recovering of amounts owing in respect of the Subordinated Sukuk or in respect of any breach by the Issuer of any other obligation, condition or provision binding on it under the Subordinated Sukuk.

10. Acquisition of Direct Rights

Upon the occurrence of an Event of Default or the Central Depository having notified the Issuer that it is unable or unwilling to act as depository for the Subordinated Sukuk and to continue performing its duties set out in the Central Securities Depository and Paying Agency Rules, the Global Certificate becomes exchangeable for Definitive Certificates and, if not so exchanged when required by a Subordinated Sukukholder then, without prejudice to any other rights which such Subordinated Sukukholder may have and without the need for any further action on behalf of any person, such Subordinated Sukukholder shall automatically acquire against the Issuer all those rights which such holder would have had if, immediately before the time at which the Global Certificate becomes exchangeable for Definitive Certificates, it had been the holder and beneficial owner of duly executed and authenticated Definitive Certificates in respect of interests in the Global Certificate representing the Subordinated Sukuk held by such Subordinated Sukukholder, including, but without limitation, the right to receive payments of principal, profit and any other amounts due at any time in respect of such Definitive Certificates, other than payments corresponding to any already made under the Global Certificate. A Subordinated Sukukholder may assign its rights hereunder in whole or in part.

11. Replacement of Certificates

If the Global Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and regulations, and the terms of the Programme Agreement, at the specified office of the Facility Agent in Malaysia, or such other agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Subordinated Sukukholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia,* that if the allegedly lost, stolen or destroyed certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of the Subordinated Sukuk represented by such certificate) and otherwise as the Issuer may require. Mutilated or defaced Subordinated Sukuk must be surrendered before replacements will be issued.

12. Further Issues

The Issuer may from time to time without the consent of the Subordinated Sukukholders or Facility Agent, create and issue further Subordinated Sukuk either having the same terms and conditions as the Subordinated Sukuk in all respects (or in all respects except for the first payment of profit on them) so as to form a single issue and so that such further issue shall be consolidated and form a single series with the outstanding Subordinated Sukuk of any Series, or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Subordinated Sukuk include (unless the context requires otherwise) any other Subordinated Sukuk issued pursuant to this Condition and forming a single series with any Series of the Subordinated Sukuk.

13. Notices

All notices regarding the Subordinated Sukuk shall be validly given if published in a leading daily newspaper printed in the English language of general circulation in Malaysia or by publication through any electronic information dissemination system operated by the Central Depository, such as FAST.

Notices by the Trustee to the Issuer shall be given in accordance with Clause 33 of the Trust Deed.

The Issuer will give notice to the Trustee and to the Subordinated Sukukholders in the manner herein provided on the occurrence of any Event of Default.

All notices shall be given in the English language.

14. Meetings of Subordinated Sukukholders

Schedule 2 of the Trust Deed contains provisions for convening meetings of Subordinated Sukukholders to consider matters affecting their interests, including the modification of any of the terms of the Subordinated Sukuk.

15. Governing Law and Jurisdiction

The Subordinated Sukuk are governed by, and shall be construed in accordance with, the laws of Malaysia, except that the subordination provisions set out in Condition 4 shall be governed by, and construed in accordance with, the laws of the United Arab Emirates.

The courts of Malaysia are to have jurisdiction to settle any disputes which may arise out of or in connection with the Subordinated Sukuk and accordingly any legal action or proceedings arising out of or in connection with the Subordinated Sukuk ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to any Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

16. Agent for Service of Process

The Issuer irrevocably appoints Messrs. Kadir, Andri & Partners (Address: 8th Floor, Menara Safuan, 80, Jalan Ampang, 50450 Kuala Lumpur, Malaysia) as its authorized agent for service of process in Malaysia. If for any reason such agent shall cease to be such agent for the service of process, the Issuer shall forthwith appoint a new agent for service of process in Malaysia and (a) deliver to the Facility Agent a copy of the new agent's acceptance of that appointment within 30 days, and (b) publish a notice, in accordance with Condition 13, of such new appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

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6. Clearance and Settlement

Introduction

The Notes will be represented by a global certificate deposited with MyClear (acting as agent of BNM) as central depository. The transfer and trading of the Notes in the secondary market will be done through RENTAS and in accordance with the procedures established under the RULES. Clearing and settlement for trades in the Notes will also be undertaken through RENTAS and in accordance with the RULES. MyClear (as agent of BNM) also acts as paying agent (in such capacity under the Central Securities Depository and Paying Agency Rules) on the Notes.
Procedures under the RULES are subject to alteration by BNM.

The Issuing, Trading and Clearing System

BNM is the operator of RENTAS, which is a system for the issue of private debt securities on a scripless basis. As part of RENTAS, BNM also operates and manages the SSTS which is a scripless book-entry securities trading system that effects and records the trading and settlement of securities traded on RENTAS and an inter-bank funds transfer system that effects and records transfers of funds between BNM and ADIs.

So long as the Notes are represented by the global certificate, interests in the Notes can only be held through ADIs and will be represented by book entries in the records of the ADIs.

Distributions of amounts due on the Notes with respect to book-entry interests in the Notes will be credited, to the extent received by MyClear (as agent of BNM) as the paying agent, to the accounts of the ADIs maintained with BNM.

Form and Interests

The Notes will be represented by a global certificate in bearer form and deposited with MyClear (as agent of BNM) as central depository. MyClear (as agent of BNM) will credit each ADI with an aggregate amount of the Notes and are held by Noteholders having a beneficial interest in the Notes through that ADI. ADIs are responsible for establishing and maintaining accounts for their customers (the Noteholders) having interests in the Notes.

Neither NBAD nor MyClear will impose any fees or charges on Noteholders in respect of the deposit of the global certificate to the Notes with MyClear. The ADIs, however, will charge their normal fees and expenses in respect of the maintenance and operation of accounts for Noteholders.

Clearing and Settlement

On issue of the Notes, MyClear (as agent BNM) will credit the accounts of the ADIs in accordance with the instructions of the Facility Agent subject to availability of sufficient funds in the cash accounts of the relevant ADIs maintained with BNM. Allocation and settlement will normally be affected by 11.30 a.m. on the Issue Date with proceeds being paid to NBAD by 2.00 p.m. on the same day.

Secondary market trading of the Notes is through the SSTS with transfers of interests between the ADIs being reflected in the book entries maintained by BNM. Settlement is also effected through the SSTS through the accounts maintained by the ADIs with BNM.

Interest Payments, Profit Payments and Redemption

Redemption, profit payments due on the Sukuk and interest payments due on the MTNs, subject to receipt of the relevant funds, are also effected through credits by MyClear (as agent of BNM) to the accounts of the ADIs with BNM and will be made in accordance with the RULES.

Under the RENTAS Rules, if the date for redemption of the Notes is to fall on an expected holiday, redemption will be on the preceding Business Day. If the date for redemption of the Notes falls on an unexpected holiday, redemption will be the next Business Day.

If an Interest Payment Date is to fall on an expected holiday, payment of interest is on the next Business Day unless it falls into the next month when it shall be paid on the preceding Business Day. If the Interest Payment Date falls on an unexpected holiday, payment shall be the next Business Day irrespective of whether it falls into the next month or not. Regardless of the foregoing, the final Interest Payment Date will coincide with the date for redemption of the Notes.

If the date for redemption of the Sukuk or any Profit Payment Date would otherwise fall on a day which is not a Business Day, the date on which payment shall be made shall be determined in accordance with the RULES.

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7. Selling Restrictions

Each of the following restrictions applicable to the Notes must be observed by the Joint Lead Managers, any person to whom the Notes may be offered and each Noteholder in relation to sales, transfers or disposals of all or any part of its legal or beneficial interests in the Notes or any offers to sell, transfer or dispose of all or any part of its legal or beneficial interests in the Notes and, where any representation or agreement is expressed to be given or agreed by the Joint Lead Managers in relation to any sales, transfers or disposals of the Notes, any person to whom the Notes may be offered and each Noteholder must not take any action inconsistent with such representation or agreement:

General

No action has been or will be taken by the Issuer or by or on behalf of the Joint Lead Managers which would permit a public offering of any of the Notes or distribution of the Information Memorandum or any amendment or supplement thereto or any other offering material in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered, sold or distributed, directly or indirectly, and neither the Information Memorandum nor any amendment or supplement thereto nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. The Joint Lead Managers, any person to whom the Notes may be offered and each Noteholder must comply with all applicable laws and regulations in each jurisdiction in which it purchases, offers, sells, distributes or delivers the Notes or has in its possession or distributes the Information Memorandum or any amendment or supplement thereto or any other offering material, and will obtain or make, give or fulfil any consent, approval, registration, notice, permission or other regulatory requirement required by it or the Issuer for the purchase, offer, sale, distribution or delivery of the Notes and the possession or distribution of any of the Information Memorandum or any amendment or supplement thereto or any advertisement or other offering material under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any such purchase, offer, sale, distribution or delivery, in all cases at its own expense.

Neither the Joint Lead Managers, any person to whom the Notes may be offered nor any Noteholder is authorised to make any representation or to provide any information in connection with the issue, offering and sale of the Notes other than as contained in the Information Memorandum, the applicable terms of the Notes or such other information relating to the Issuer and/or the Notes which the Issuer has authorised to be provided.

Malaysia

A Upon Issuance

The Notes may not be offered or sold, directly or indirectly, nor may any document or other material in connection therewith be distributed, in Malaysia other than to persons, whether as principal or agent, falling within

(i) Schedule 6 (or Section 229(1)(b)) of the CMSA or Schedule 7 (or Section 230(1)(b)) of the CMSA; read together with

(ii) Schedule 9 (or Section 257(3)) of the CMSA.

B After Issuance

The Notes may not be offered or sold, directly or indirectly, nor may any document or other material in connection therewith be distributed, in Malaysia other than to persons, whether as principal or agent, falling within:

(i) Schedule 6 (or Section 229(1)) of CMSA; read together with

(ii) Schedule 9 (or Section 257(3)) of the CMSA.

8. Use of proceeds

The net proceeds from the sale of MTNs offered by NBAD under the NBAD MYR Programme will be used by NBAD for its general operations.

The proceeds raised from the issuance of the Sukuk under the NBAD MYR Programme will be utilised by NBAD (or made available by NBAD for utilisation by its subsidiaries) for the purpose of financing existing and future Shariah compliant investments and/or in connection with Shariah compliant Islamic finance activities which includes, without limitation, covering the acquisition cost of the existing and future Shariah compliant assets of NBAD.

9. Tax Status

UAE

There is currently in force in the Emirates of Abu Dhabi and Dubai legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended) and the Dubai Income Tax Act Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on the account of UAE, Abu Dhabi or Dubai taxation in respect of payments of interest or profit, as the case may be, or principal on debt securities (including the Notes).

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a federal basis for the purposes of funding its budget. It is not known whether this right will be exercised in the future. The UAE has entered into "Double Taxation Arrangements" with certain other countries, but these are not extensive in number.

Malaysia

Under the laws of Malaysia applicable as at the date of this Information Memorandum, the holders of the Notes are entitled to exemption from payment of tax on the income they will receive as interest or profit payments, as the case may be, under the Notes and as such, NBAD is not obliged to make any withholding or deductions therefrom on account of tax. No assurance is given that the laws of Malaysia will not be amended in this respect.

Any person having any queries about Malaysia taxation, or liability to tax in a jurisdiction other than Malaysia is advised to seek appropriate professional advice.

10. Risk Factors

NBAD believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and NBAD is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which NBAD believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

NBAD believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but NBAD may be unable to pay interest or profit (as the case may be), principal or other amounts on or in connection with any Notes for other reasons which may not be considered significant risks by NBAD based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.

The risk factors in this section are based on facts known to the Bank as of the filing date. Forward-looking statements contained in this section are based on the Bank's beliefs, outlooks, expectations and estimates as of the filing date.

Factors that may affect NBAD's ability to fulfil its obligations under Notes issued under the Programme

Group's financial performance is affected by general economic conditions

Risks arising from changes in credit quality and the recoverability of amounts due from borrowers and counterparties are inherent in banking businesses. Adverse changes in global economic conditions, or arising from systemic risks in the financial systems, could affect the recovery and value of the Group's assets and require an increase in the Group's provisions. The Group uses different hedging strategies to minimise risk, including securities, collaterals and insurance that reduce the credit risk level to be within the Group strategy and risk appetite. However, there can be no guarantee that such measures will eliminate or reduce such risks.

Liquidity risk may impair the Bank's ability to fund its business and make timely payments on its notes

Liquidity risk is the risk that NBAD does not have sufficient funds available at all times to meet its contractual and contingent cash flow obligations. NBAD seeks to manage its liquidity risk by holding a stock of highly liquid assets which can be readily realised for cash and by focusing on the liquidity profile of its assets and liabilities. However, NBAD's liquidity may be adversely affected by a number of factors, including significant unforeseen changes in interest rates, ratings downgrades, higher than anticipated losses on investments and disruptions in the financial markets generally.

An inability on NBAD's part to access funds or to access the markets from which it raises funds may put NBAD's positions in liquid assets at risk and lead it to be unable to finance operations adequately. A dislocated credit environment compounds the risk that NBAD will not be able to access funds at favourable rates. These and other factors could also lead creditors to form a negative view of NBAD's liquidity, which could result in less favourable credit ratings, higher borrowing costs and less accessible funds. In addition, because NBAD receives a significant portion of its funding from deposits, NBAD is subject to the risk that depositors could withdraw their funds at a rate faster than the rate at which borrowers repay their loans, thus causing liquidity strain.

In addition, there are always some timing differences between cash payments NBAD owes on NBAD's liabilities and the cash payments due to it on its investments. NBAD's ability to overcome these cash mismatches and make timely payments on its notes may be adversely affected if the fixed income markets were to experience significant liquidity problems. Also, under certain market conditions, NBAD could be unable to sell additional products and unable to sell NBAD's portfolio investments in sufficient amounts to raise the cash required to pay its notes when due.

Furthermore, in circumstances where NBAD's competitors have ongoing limitations on their access to other sources of funding such as wholesale market derived funding, this also may adversely affect NBAD's access to funds and NBAD's cost of funding.

All of the abovementioned factors relating to liquidity risk could have an adverse effect on NBAD's business, financial condition, results of operations or prospects.

Like most banks, NBAD has been affected by the decreased availability and increased cost of wholesale funding that has been a feature of recent dislocations in global financial markets. As described in more detail in this document, NBAD has continued to perform well in its funding activities during this period. However, until global financial markets return to more normal levels, it is difficult to predict what impact the current markets are likely to have on NBAD and other participants in the financial sector.

The principal shareholder of NBAD owns 70.5 per cent. of the share capital and may influence the Group's business significantly.

NBAD's principal beneficial shareholder is the Abu Dhabi Investment Council ("ADIC"), holding approximately 70.5 percent of NBAD's share capital and representing the Government of Abu Dhabi. By virtue of such shareholding, ADIC has the ability to influence NBAD's business significantly through its ability to control corporate actions that require shareholder approval. If circumstances were to arise where the interests of ADIC conflicted with the interests of the noteholders or other stakeholders, the noteholders or other stakeholders may be disadvantaged by any such conflict.

The UAE has a commodity and services economy based in the Middle East and is developing its other Industries

NBAD has the majority of its operations in the UAE and accordingly its business may be affected by the financial, political and general economic conditions prevailing from time to time in the UAE and/or the Middle East generally.

Investors should also be aware that these markets are subject to risks similar to other developed markets, including in some cases significant legal, economic and political risks. Traditionally the oil and gas industry has been the basis of the development in the economy which means that economic development has been impacted by the general level of oil and gas prices.

Since mid-2007 and the more widespread dislocation in international financial markets, it has become increasingly difficult to accurately predict likely short to medium-term trends in the economies in which NBAD operates. Nonetheless, there is evidence of significant weakening in each of these economies, including NBAD's key markets, such as the UAE, where a number of concerns (including commercial and other property market concerns) continue to impact consumer and investor confidence. Although NBAD intends to continue its focus on controlled growth and asset quality, any contraction of its key markets will impact NBAD and other participants in the financial sector.

Enforcing foreign judgments in the UAE

The payments under the Notes are dependent upon NBAD making payments to investors in the manner contemplated under the Notes. If NBAD fails to do so, it may be necessary to bring an action against NBAD to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time-consuming.

Under current Abu Dhabi law, the courts in the Abu Dhabi are unlikely to enforce a Malaysian court judgment without re-examining the merits of the claim and may not observe the choice by the parties of Malaysian law as the governing law of the transaction. In the UAE, foreign law is required to be established as a question of fact and the interpretation of Malaysian law, by a court in the UAE, may not accord with the interpretation by a Malaysian court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or to any mandatory law of, or applicable in, the UAE.

The UAE is a civil law jurisdiction and judicial precedents in Abu Dhabi have no binding effect on subsequent decisions. In addition, court decisions in Abu Dhabi are generally not recorded. These factors create greater judicial uncertainty. NBAD has confirmed that the aggregate principal amount of the Notes does not exceed NBAD's capitalisation and therefore the issuance of the Notes does not contravene Article 180 of the UAE Companies Law. However, the Securities and Commodities Authority may alter its interpretation of Article 180 in such a way that would require NBAD to obtain approval for the issuance of the Notes. The implications of such a decision by the Securities and Commodities Authority are not clear. Article 180 states that the value of debentures may not exceed the share capital as reflected in the last available balance sheet of the issuer unless the decree of establishment authorises this or the debenture is guaranteed by the state or one of NBADs operating therein.

Foreign exchange movements may adversely affect NBAD's profitability

NBAD maintains its accounts, and reports its results, in AED. The UAE dirham has been 'pegged' at a fixed exchange rate to the U.S. dollar since 22 November 1980. However, there can be no assurance that the UAE dirham will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that adversely affects NBAD. NBAD has among its portfolio U.S. dollar-denominated assets and liabilities and any alteration to, or abolition of, this foreign exchange 'peg' will expose NBAD to U.S. dollar foreign exchange movements against the AED.

No third party guarantees

Investors should be aware that no guarantee is given in relation to the Notes by the shareholders of NBAD or any other person.

Political, economic and related considerations

Although the UAE has enjoyed significant economic growth in recent years, there can be no assurance that such growth or stability will continue, particularly in the light of significant adverse financial and economic conditions experienced worldwide since early 2008. Moreover, while the UAE government's policies have generally resulted in improved economic performance, there can be no assurance that such policies or level of performance can or will be sustained.

No assurance can be given that the UAE government will not implement regulations or fiscal or monetary policies or new legal interpretations of existing regulations, relating to, or affecting taxation, interest rates or exchange controls, or otherwise take actions which could have a material adverse effect on NBAD's business, financial condition, or prospects or which could adversely affect the market price and liquidity of the notes of NBAD.

NBAD currently has a significant proportion of its operations and interests in the UAE, with a particular focus on Abu Dhabi.While the UAE is seen as a relatively stable political environment, certain other jurisdictions in the Middle East are not. In particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including Algeria, Bahrain, Egypt, Libya, Oman, Saudi Arabia, Syria, Tunisia and Yemen. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and has given rise to increased political uncertainty across the region.NBAD's business may be affected by the financial, political and general economic conditions prevailing from time to time in the UAE and the Middle East. It is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact of such occurrences, and no assurance can be given that NBAD would be able to sustain its current profit levels if adverse political events or circumstances were to occur. A general downturn or instability in certain sectors of the UAE or the regional economy could have an adverse effect on NBAD's business, financial condition and results of operations. Investors should also note that NBAD's business and financial performance could be adversely affected by political, economic or related developments both within and outside the Middle East because of inter-relationships within the global financial markets.

Impact of regulatory changes

NBAD is subject to the laws, regulations, administrative actions and policies of the UAE and each other jurisdiction in which it operates. Such laws, regulations, administrative actions and policies may limit NBAD's activities and changes in supervision and regulation, particularly within the UAE, could materially affect NBAD's business (such as pursuant to Basel II and the implementation of Basel III reforms), the products or services offered, the value of its assets and its financial condition. Although NBAD works closely with its regulators and continuously monitors the situation, future changes in regulatory, fiscal or other policies cannot be predicted and are beyond the control of NBAD.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest or profit, as the case may be, is payable in one or more currencies, or where the currency for principal or interest or profit, as the case may be, payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate or the profit rate, as the case may be, on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate or at an effective profit rate, as the case may be, as high as the interest rate or the profit rate, as the case may be, on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Variable Rate MTNs with a multiplier or other leverage factor

MTNs with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Fixed/Floating Rate MTNs

Fixed/Floating Rate MTNs may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such MTNs since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/ Floating Rate MTNs may be less favourable than then prevailing spreads on comparable Floating Rate MTNs tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other MTNs. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on other MTNs.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates or profit rates, as the case may be than do prices for conventional interest-bearing securities or profit-bearing securities, as the case may be. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities or profit-bearing securities, as the case may be with comparable maturities.

Risk factors for Subordinated Notes

Limited rights of enforcement and subordination of the Subordinated Notes could impair an investor's ability to enforce its rights or realise any claims on the Subordinated Notes

In most circumstances, the sole remedy against the Issuer available to the holders of Subordinated Notes to recover any amounts owing in respect of the principal of or interest on the Subordinated MTNs or the principal of or profit on the Subordinated Sukuk, will be to institute proceedings for the winding up of the Issuer in the United Arab Emirates. See Condition 8 of the "Terms and Conditions of the Subordinated MTNs" and Condition 9 of the "Terms and Conditions of the Subordinated Sukuk". If the Issuer defaults on the payment of principal or interest on the Subordinated MTNs (or the payment of principal or profit on the Subordinated Sukuk), the holders of the Subordinated Notes will only institute a proceeding in the United Arab Emirates for the winding up of the Issuer if it is so contractually obliged. The holders of the Subordinated Notes will have no right to accelerate payment of the Subordinated Notes in the case of default in payment or failure to perform a covenant except as they may be so permitted under the Terms and Conditions of the Notes. The Subordinated Notes will be unsecured and subordinated obligations of the Issuer and will rank junior in priority to the claims of senior creditors . Upon the occurrence of any winding up proceeding, the rights of the holders of the Subordinated Notes to payments on such Subordinated Notes will be subordinated in right of payment to the prior payment in full of all deposits and other liabilities of the Issuer, as applicable, except those liabilities which rank equally with or junior to the Subordinated Notes. In a winding up proceeding, the holders of the Subordinated Notes may recover less than the holders of deposit liabilities or the holders of other unsubordinated liabilities of the Issuer, as applicable.

Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should the Issuer become insolvent. As a consequence of the subordination provisions, in the event of a winding up of the Issuer's operations, the holders of any Subordinated Notes may recover less rateably than the holders of deposit liabilities or the holders of the Issuer's other unsubordinated liabilities. The Issuer believes that all of these deposit liabilities rank senior to the Issuer's obligations under the Subordinated Notes. Any Subordinated Notes and the Terms and Conditions of the Notes do not limit the amount of the liabilities ranking senior to the Subordinated Notes which may be hereafter incurred or assumed by the Issuer. There is also no restriction on the amount of securities which the Issuer may issue and which rank pari passu with the Subordinated Notes. The issue of any such securities may reduce the amount recoverable by the holders of the Subordinated Notes on a winding up of the Issuer. In the winding up of the Issuer and after payment of the claims of senior creditors and of depositors, there may not be a sufficient amount to satisfy the amounts owing to the holders of the Subordinated Notes.

No Events of Default under the Subordinated Notes

Issues of Subordinated Notes do not provide for events of default allowing acceleration of the Subordinated Notes except upon the winding up of the Issuer. Upon a payment default, the sole remedy available to the holders of the Subordinated Notes for recovery of amounts owing in respect of any payment or principal of, or interest on, the Subordinated Notes will be the institution of proceedings in United Arab Emirates for the winding up of the Issuer. See Condition 8 of the "Terms and Conditions of the Subordinated MTNs" and Condition 9 of the "Terms and Conditions of the Subordinated Sukuk".

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes general:

Meeting of Noteholders

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Change of Law

The Terms and Conditions of the Notes are based on Malaysian law in effect as at the date of the issue of the relevant Notes. No assurance can be given as to the impact of any possible change to Malaysian law or administrative practice after the date of issue of the relevant Notes.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denominations. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the market generally

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for MTNs that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of MTNs generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

In addition, Noteholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Information Memorandum), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes. Such lack of liquidity may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the assets of the Issuer. The Issuer cannot predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

Exchange rate risks and exchange controls

NBAD will pay principal and interest or profit, as applicable, on the Notes in Ringgit. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency"**) other than the Ringgit. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Ringgit or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Ringgit would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or profit (as the case may be) or principal than expected, or no interest or profit (as the case may be) or principal.

Interest rate and profit rate risks

Investment in fixed rate Notes involves the risk that subsequent changes in market interest rates or profit rates may adversely affect the value of the fixed rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

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11. National Bank of Abu Dhabi P.J.S.C.

GENERAL

NBAD was incorporated on 13 February 1968 with limited liability and is registered as a public joint stock company in accordance with the United Arab Emirates ("**UAE**") Commercial Companies Law No. 8 of 1984 (as amended). NBAD operates in the UAE under a banking licence (the "**Banking Licence**") granted by the UAE Central Bank. The Banking Licence was granted for an indefinite period of time and does not need to be renewed on a periodic basis. Its registered office address is P.O. Box 4, Abu Dhabi, United Arab Emirates (telephone number: +9712 6111111). NBAD is engaged primarily in commercial, investment and Islamic banking in the UAE and at selected overseas locations in Bahrain, Egypt, France, Kuwait, Libya, Oman, Sudan, Switzerland, the United Kingdom and the United States of America.

NBAD's combined credit ratings are amongst the highest of any bank in the Middle East region. The current ratings for senior debt are:

- RAM: (Long term) AAA, (Short Term) P-1
- S&P: (Long term) A+, (Short term) A-1
- Moody's: (Long term) Aa3, (Short term) P-1
- Fitch: (Long term) AA-, (Short term) F1+
- Capital Intelligence: (Long term) AA-, (Short term) A1+

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

THE MAJOR DIVISIONS

The Bank's organisational structure comprises the following six principal business divisions: Domestic Banking, Financial Markets, International Banking, Corporate & Investment Banking, Global Wealth and Islamic Banking.

Each of these six principal business divisions are further organised as follows:

- Domestic Banking comprises Consumer Banking, Elite Banking and Business Banking (small and medium size enterprises);
- Financial Markets comprises Corporate Coverage & E-commerce Group, Institutional Coverage & Primary Markets Group, Liquidity Management & Interest Rates Products Group and Trading & Investments Group.;
- International Banking comprises both Arab world banking (which includes the Bank's operations in Egypt, Oman, Sudan, Jordan, Bahrain, Kuwait and Libya) and International Banking (which includes the Bank's operations in the United States of America, the United Kingdom, France and Hong Kong);
- Corporate & Investment Banking comprises Corporate Banking, Wholesale Banking, Investment Banking, Private Equity, Abu Dhabi National Property and Abu Dhabi National Leasing;

- Global Wealth comprises Private Banking, Asset Management (which includes Local and Global Funds as well as Discretionary Services), the brokerage services offered by Abu Dhabi Financial Services LLC, Custody Services (which includes Local, Regional and Global Custody as well as Non- Discretionary Portfolio Management Services) and the Investment Group; and

- Islamic Banking comprises both Abu Dhabi National Islamic Finance Pvt JSC and the Bank's current Islamic Banking Division.

The business divisions continue to be supported by the Bank's internal audit, compliance, finance, human resources, legal, information technology, risk management, investor relations, corporate communications, securities services, corporate governance, economic research and strategic planning groups.

The organisational structure is summarised as below:

Organizational Structure

Domestic Banking	**Financial Markets**	**International Banking**	**Corporate & Investment Banking**	**Global Wealth**	**Islamic Banking**
• Consumer Banking • Elite Banking • Business Banking (SME)	• Corporate coverage & e-commerce • Institutional Coverage & Primary markets • Liquidity management & Interest rate products • Trading & Investments Group	• Arab World Banking - Egypt network - Oman network - Sudan network - Jordan network - Bahrain - Kuwait - Libya • International Banking - United Kingdom - France - USA - Hong Kong	• Corporate Banking Group • Wholesale Banking Group - Global Project & Structured Finance - Syndications & Specialised Portfolio - Financial Institutions Dept - Global Trade Finance - Global Cash Management • Investment Banking Group	• Global Private Banking - Investments & Financial Planning for UHNWIs - On-shore and Off-shore platforms • Asset Management Group - Local and Global Funds - Discretionary Portfolio Management • Abu Dhabi Financial Services - Brokerage services • Custody Services - Non-discretionary Portfolio management	• Abu Dhabi National Islamic Finance • NBAD Islamic Division

			- DCM - ECM - Advisory • Private Equity • Abu Dhabi National Property - Real Estate • Abu Dhabi National Leasing - Leasing • Special Asset Advisory	- Funds administration • Investment Group (Investment products and views)	
Head Office *					

*Support functions: Audit, Compliance, Finance, Human Resources, Information Technology, Legal, Operations, Risk Management, Investor Relations, Corporate Communications, Strategic Planning, Securities Services, Corporate Governance & Economic Research.

DOMESTIC BANKING DIVISION

The Domestic Banking Division (‘‘DBD’’) is responsible for three major customer segments together with the associated operations and administration. The DBD is structured on the basis of the Bank’s customer segments and the differing needs of the Bank’s broad customer base. The DBD comprises the following three segments: Consumer Banking, Business Banking and Elite Banking.

Consumer Banking Group

As at 31 March 2012, the Bank offers its retail customers a wide choice of products and services through approximately 120 branches and cash offices, over 500 ATM's, a 24/7 call centre and advanced Internet banking. This is further supplemented by a growing range of electronic banking services and a Direct Sales Team of over 140 people. Customers also have access to a variety of loans, deposits, cards, transaction accounts, investment and insurance products.

Business Banking Group

The Business Banking team is equipped to provide the fast-growing SME (Small/Medium Enterprise) segment with a wide range of products and services delivered by a team of Relationship Managers through 12 business centres covering all emirates and supported by the full resources of the Bank’s network. They are able to specifically address the needs of this specialised segment and bring the required experts together to solve particular issues that the business clients may have.

Elite Banking Group

Elite Banking provides personal banking services for high net worth clients resident in the UAE who have an income above AED 50,000 or a portfolio of AED 500,000 or above. Elite Banking provides exclusive and privileged services, focusing on personal attention and value added services for UAE resident high net worth individuals. Elite Banking's value added services include a personal account manager, travel services and special fees, rates and charges on banking products and transactions for its customers.

For the three-month period ended 31 March 2012, the DBD recorded net profits of AED 219 million.

CORPORATE & INVESTMENT BANKING DIVISION

For the three-month period ended 31 March 2012, CIBD recorded net profits of AED 413 million.

Corporate Banking Group

Corporate Banking Group has maintained its focused approach of capitalising on our relationships with government and public sector entities as well as select strategic business client relationships. This has had the added benefit of making the NBAD franchise synonymous with iconic transactions and UAE landmark projects. To better serve our clients' international expansion plans as well as the entry of overseas corporates into the local market, we have strengthened our Multi-nationals coverage team with the hiring of a Head of MNC.

Investment Banking Group

Our **Investment Banking Group** was awarded the *Best Local Investment Bank* in 2011 by EMEA Finance. Our Equity Capital Markets (ECM) team successfully executed the Wataniya IPO while in Debt Capital Markets (DCM) we secured lead roles in prestigious transactions in the UAE and Malaysia. Our Advisory team won the prestigious strategic advisory mandate for the development of Al Failaka Island in Kuwait. We endeavour to expand our merger & acquisition (M&A) activities and have appointed a Head of M&A.

Wholesale Banking Group

a) **Global Project & Structured Finance (GPSF)** business recorded a strong performance by closing 19 deals (including 3 restructuring deals). We have consistently maintained our lead position in project and structured finance in the regional and local syndication market with participation in lead roles and won accolades across deal categories such as structured deals, corporate finance and restructuring.

b) The ongoing strategic revamp of our **Financial Institutions Group (FIG),** taking it to a global coverage model, shall be instrumental in establishing NBAD as the banking partner of choice for the world's banks doing business in the Arab region.

c) Our **Global Trade Finance (GTF)** business diversified its products and services with trade finance teams based in London, Paris, Geneva, Hong Kong, UAE, Washington and the wider Arab world to support our clients in an-end-to-end supply chain.

d) We continue to build our **Transaction Banking** platform with investments in people and systems focusing mainly on Corporate and Financial Institutional clients within the UAE and MENA region.

Abu Dhabi National Leasing

In view of turbulent market conditions prevailing during 2011, **Abu Dhabi National Leasing (ADNL)** adopted a cautious approach and focused on prized business which resulted in robust growth in 2011. Major deals were executed in the Aviation and Ports sector of which the Sanad / Etihad deal for engine lease finance was nominated for two Air finance Journal Awards - *Middle East Deal of the Year* and *Global Engine Deal of the Year*.

Abu Dhabi National Property

Our property subsidiary, **Abu Dhabi National Property (ADNP)** continued its strong performance in 2011 despite the continued downturn of the UAE real estate market. ADNP has been able to secure significant third party advisory and property management remits throughout the UAE thereby diversifying its business portfolio. Growth is likely to be sustained with new initiatives such as project management and the proposed REIT. The association with Knight Frank, a major UK-based property company, opens doors for ADNP to access overseas markets.

INTERNATIONAL BANKING DIVISION

The International Banking Division (''IBD'') manages the Bank's overseas branch network and portfolio of credit derivatives.

The Bank has the largest overseas network of all the UAE local banks with 29 branches and/or cash offices in Egypt, nine branches in Oman, two branches and one cash office in Sudan, two branches in Jordan, one branch in each of Bahrain, Kuwait, Hong Kong, the United Kingdom and France. The Bank also has a wholly-owned subsidiary, Abu Dhabi International Bank Inc., in Washington D.C., a representative office in Libya and a representative office in Shanghai, China. The Bank has applied to the Central Bank of Qatar for a full commercial branch license. As at 31 March 2012, this application is still pending with the relevant authority.

The Bank has received approval from Bank Negara Malaysia to establish a wholly-owned banking subsidiary in Malaysia, with a commercial banking license. The Bank expects to commence operations in Malaysia in 2012.

The Bank's strategy for its IBD is to continue to concentrate on maintaining and improving its overall performance and to expand its international network, both by expanding its operations into new markets and increasing the number of branches in countries in which it already operates, with a particular focus on the GCC and MENA region. The Bank intends to use its IBD to continue to support the international business of the Bank's local customers and aims to be a bridge into the GCC market, in the UAE in particular, for international companies and financial institutions. The Bank's strategy for the IBD also includes enhancing cross-selling between the Bank's overseas network and the UAE as well as increased marketing by the Bank's overseas units of its investment products to its high net worth customers.

The following table shows the breakdown of customer deposits by jurisdiction of business unit (including branches and/or cash offices) as at 31 March 2012, 31 December 2011 and 31 December 2010 :

	As at 31 March	As at 31 December	As at 31 December

	2012	2011	2010
	(reviewed)	(audited)	(audited)
		(AED thousands)	
Egypt Region..	7,079,114	7,050,397	7,021,714
Oman Region..	1,365,193	1,366,041	1,272,728
Sudan Region…………………………………………………	601,013	605,297	583,699
Bahrain Region……………………………………………….	361,318	344,784	342,206
Jordan Region……………………………………………...	588,958	460,323	366,997
London Branch……………………………………………...	16,796,004	19,174,147	9,332,1367
Paris Branch………………………………………………...	298,128	295,602	359,523
Kuwait Branch………………………………………………..	2,048,967	1,247,730	1,494,704
Hong Kong…………………………………………………	3,934,767	2,697,022	1,586,496
Abu Dhabi International Bank Inc. (Washington D.C.)……...	2,710,096	3,042,357	2,150,850
Total………………………………………………………..	**35,783,556**	**36,283,700**	**24,511,043**

The following table shows the breakdown of operating profit by jurisdiction of business unit (including branches and/or cash offices) for the years ended 31 March 2012, 31 March 2011 and the years ended 31 December 2011 and 31 December 2010 respectively:

	For the three month period ended 31 March 2012	**For the three month period ended 31 March 2011**	**For the year ended 31 December 2011**	**For the year ended 31 December 2010**
	(audited)	(audited)	(audited)	(audited)
Egypt Region……………………….	52,599	43,773	202,194	197,913
Oman Region……………………….	10,954	15,660	52,461	53,219
Sudan Region……………………….	5,241	13,340	40,372	43,518
Bahrain Region…………………….	2,891	1,991	9,545	10,325
Libya Region……………………….	(606)	456	(1,517)	(2,155)
Jordan Region………………………	4,631	2,453	12,597	659
London Branch……………………...	60,227	40,912	187,095	149,378
Paris Branch………………………...	4,845	4,174	18,612	9,668
Kuwait Branch………………………	9,853	7,841	33,040	31,822
Hong Kong…………………………	15,916	5,740	29,517	2,340
Abu Dhabi International Bank Inc.	13,490	11,307	46,674	40,357

(Washington D.C.)………………….				
Total…………………………………	**180,043**	**147,647**	**630,590**	**537,224**

The Bank commenced operations in Egypt in 1975 and is now one of the largest foreign banks in Egypt with 29 branches in terms of total number of branches and cash offices, total assets and total profits. Each of the Bank's Egyptian branches is strategically located, provides a full range of retail and corporate banking services and is managed by a regional office in Cairo. The Bank is committed to providing for its Egyptian based customers the most efficient, professional and technologically advanced range of products and services, targeting the top end of the retail banking sector. In addition, it offers full retail and corporate banking services including elite banking and credit cards to its prime clients throughout the branch network in Egypt.

The Bank's first branch in Oman was established in 1976. It is the only UAE bank in Oman. The Bank has nine branches which provide a full range of retail and corporate banking services and assist the Bank in participating in syndicated facilities to Omani borrowers.

In Sudan, the Khartoum branch was established in 1976 and provides a full range of retail, commercial and treasury banking services with a focus on serving the Sudanese community working in the GCC countries, financing top tier Sudanese corporates and multinational companies, and targeting UAE individuals and corporates with business interests in Sudan. A cash office was opened in November 2007 in Khartoum North and a second branch was opened in Amarat area in March 2009 in Khartoum.

The Bank's Jordan branch was formally opened on 23 February 2010 and offers commercial banking services to UAE nationals, UAE corporates and the UAE Embassy doing business in Jordan and in GCC countries. NBAD Jordan is targeting the Jordanian community in the UAE for trade/ remittances business, salaried employees of multinational companies and Jordanian government/ semi-government institutions operating in the UAE. Through the Bank's presence in Jordan, the Bank will seek to develop opportunities to cover the Iraqi/Syrian/Lebanese markets and capture trade related business in those countries. A second Branch was opened in Wadi Abdoun area in May 2011.

The Bank's Bahrain branch started its operations in March 2008 with a full range of retail, elite, commercial and treasury banking services. The branch serves the top end of the retail and corporate segments and provides specialised services for high net worth individuals. The branch's corporate business serves Bahraini corporates and multinationals and provides cross-border services across the UAE and Bahrain.

The Bank's Kuwait branch started its operations on 15 October 2006 and it is equipped to provide a full range of retail, elite, commercial and treasury banking services. The branch is involved in serving the top end of the retail and corporate segments. By way of elite banking, the branch provides specialised services for high net worth individuals. Corporate Business serves prime Kuwaiti corporates, prime multinationals and focuses on UAE interests in Kuwait and vice versa.

The Bank's representative office in Libya commenced its operations in February 2009 with the aim to provide advisory services, boost trade between UAE and Libyan companies, and facilitate business between the countries where the Bank has a presence.

Abu Dhabi International Bank, incorporated in Curacao, the Netherlands Antilles is a wholly owned subsidiary of the Bank located in Washington, D.C., offers a variety of services to corporate and individual clients. These services include corporate, trade finance, treasury and special services to the UAE Embassy in Washington D.C.

The London branch is the controlling hub for the Bank's European operations. It provides private banking services to GCC-based high net worth individuals as well as corporate banking services to companies located in the United Kingdom and the remainder of Europe. It is also involved in syndicated lending, and structured deals in real estate financing within the United Kingdom and Europe.

The Paris branch offers professional private banking services, financing and advisory services to French companies doing business in the UAE. The Paris branch is also actively involved in trade finance services covering various areas such as letters of guarantee, documentary credits and letter of credit reimbursements.

The Bank's Hong Kong branch was formally opened on 3 December 2009 and its primary business objectives are to facilitate trade and investment flows between the UAE, GCC and MENA regions with Hong Kong, China and the Far East. Being a full service branch, NBAD Hong Kong offers wholesale commercial banking services to corporate and financial institutions as well as personal banking services to clients in Hong Kong and the Asia Pacific region. Key product offerings include commercial lending, syndication loans, treasury dealings and classical/structured trade financing.

For the three month period ended 31 March 2012, IBD recorded net profit of AED 153 million.

FINANCIAL MARKETS DIVISION

The Financial Markets Division (''FMD'') is the Bank's key access to financial markets globally. While it is entrusted with the liquidity management for the entire Bank, FMD also performs an income producing role and targets to achieve 20 percent of the Bank's overall profit target.

In recent years, the Bank has substantially increased its investment in FMD to bring it more in line with the ambitions and medium term targets set by the Board of Directors.

The FMD currently operates through the following departments:

- Corporate Coverage & E-commerce Group (CCECG) : The CCECG was established to harness and leverage on FMD's product range and makes them accessible to all our valued clients. We have created a new financial market coverage model that successfully enabled us to deviate from the existing financial market's sales platforms and practices. This distinction is a result of our ability to be much closer, more responsive, and committed to all our clients' financial needs.

- The Liquidity Management & Interest Rates Products Group ("LMIRPG"), which manages the Bank's liquidity position. In this pursuit, it actively manages liquidity in accordance with best international practice. In addition the LMIRPG has developed a diversified issuance platform ensuring funding to support both short and long term asset growth aspirations for the Bank. The LMIRPG also manages the Bank's interest rate risk and acts as a market maker in all products for GCC and other major currencies including loans/deposits, FX spot, FX forwards and, interest rate derivatives. The LMIRPG has also established the region's first REPO desk which supports the liquidity management of the Bank as well as supporting the primary and secondary activities of the Debt Capital Markets team

- The Trading & Investments Group ("TIG"), the Bank's financial markets trading and investments products arm which trades all products in support of the ICCG's requirements. The ICCG consists of six departments:

  - Foreign Exchange: manages the Bank's foreign currency flows including non delivery forwards;

  - Structured Trading & Investments Department ("STID"): manages highly rated and capital guaranteed notes focused on interest rates. The STID business also covers structured products and derivatives;

  - MENA Fixed Income Trading Department: acting as a market maker in all GCC and regional bonds and Shari'a-compliant bonds ("sukuk");

  - Portfolio Management Department: is an alternative investment management platform that manages a diversified portfolio of hedge funds with limited correlation to global and regional capital markets. The aim of this platform is to build a fund of hedge fund products that targets attractive risk-adjusted returns with controlled volatility for both the Bank and its clients; and

  - Market Strategy Department and MENA Equities: Oversees the "buy side" credit research and the provision of global financial markets analysis (including equities, currencies and technical analysis).Manages the Bank's MENA and GCC equity markets investments including the first GCC ETF program as market maker

The Bank believes that the FMD has become a market leader in the products and services that it provides. The MENA Fixed Income Trading Department has developed a leading position in secondary market trading in GCC debt markets and other GCC bond syndications. For financial year ended 31 December 2011, FMD recorded net profits of AED 845 million, and for the quarter ended 31 March 2012, FMD recorded net profits of AED 223 million.

GLOBAL WEALTH

Global Wealth comprises Private Banking, Asset Management Group and the Bank's wholly-owned stockbroker Abu Dhabi Financial Services. In line with the strategy of developing the custody offering within the division, the custody business was integrated into Global Wealth from 1 June 2010.

For the three-month period ended 31 March 2012, Global Wealth recorded net profits of AED 28 million.

Global Private Banking

The Bank believes that the rapid growth in private individuals' wealth offers significant opportunities for its Global Private Banking business. Currently, a large proportion of the wealth generated in the UAE is managed by foreign institutions. Furthermore, the Bank believes that its existing strengths, including its well respected brand, its local presence and established client relationships provide it with a firm base to continue to expand its Global Private Banking business. As such, in 2007 the Bank established its wholly-owned private banking subsidiary in Switzerland, NBAD Private Bank (Suisse) SA, with an initial paid up capital of CHF 100 million. This subsidiary is the centre of the Bank's Global Private Banking business. NBAD Private Bank (Suisse) SA operates as a fully independent Swiss private bank and is subject to Swiss laws and regulations, including those on confidentiality. NBAD Private Bank (Suisse) SA focuses on offering high net worth individuals tailor-made private banking and wealth management services. It also provides wealth protection vehicles through the NBAD Group Trust Company in Jersey, Channel Islands. The Global Private Banking business also offers onshore UAE private banking through its dedicated private banking offices in Abu Dhabi, Al Ain and Dubai. Client introductions are handled by both the Group network referring clients, as well as the new business brought in by the division's own private banking team.

Within the UAE, the Global Private Banking business complements the services offered by the Elite Banking division (see ''Domestic Banking Division'' above). The Elite Banking division focuses on providing UAE clients with prestige retail banking products and services whereas the Global Private Banking division focuses on providing high net worth individuals with a full service relationship, a deep understanding of their wealth structuring and investment needs and delivers appropriate solutions.

The Bank's strategy for its Global Private Banking business is to become a first choice provider of sophisticated and tailor-made wealth management solutions to ultra/high net worth individuals in the UAE and overseas. In order to achieve this, the Bank offers an open architecture investment approach (including, but not limited to, AMG's (as defined below) products where appropriate) as part of the tailor-made investment and wealth structuring services it offers its clients. As indicated above, the Global Private Banking business offers its broad range of products both through an on-shore platform in the UAE and its off-shore platforms (including NBAD Private Bank (Suisse) SA and NBAD Group Trust Company).

For the financial year ended 31 December 2011, the GW recorded net profits of AED 57 million. For the quarter ended 31 March 2012, the net profits for GW were AED 28 million.

Asset Management Group

The Asset Management Group (''AMG'') is currently one of the largest local asset managers in the UAE, supporting assets of AED 6.6 billion, as at 31 March 2012, and providing investment expertise through managing five regional funds, eight offshore funds and numerous portfolios for a range of institutional and private investors.

The AMG has two distinct lines of business:

1. **Collective Investment Funds**

- Exchange Traded Funds (ETFs)

  NBAD One Share Dow Jones UAE 25 exchange traded fund (''ETF'') – The ETF is the first in the region and was launched on 25 March 2010 and simultaneously listed on the Abu Dhabi Stock Exchange (ADX). The ETF Seeks to provide long term capital appreciation through the replication of the performance of Dow Jones UAE 25 Total Return Index (Local) (the ''Index''). The Index is comprised of leading stocks which are traded in the United Arab Emirates. Only stocks which meet minimum liquidity standards are eligible for consideration. Eligible securities are ranked first by float-adjusted market capitalisation and then by 12-month average daily domestic currency trading volume.

- Regional Funds

  NBAD UAE Growth Fund – Formed in October 2000. The Growth Fund's primary/main objective is to invest in a balanced portfolio of UAE Equities, whether listed on the Abu Dhabi or Dubai

Financial Markets or, where appropriate, purchased through the ‘over the counter’ arrangements, and other related securities including third party collective investment schemes, with a view to achieving capital growth.

NBAD UAE Trading Fund – Formed in February 2004. The Trading Fund aims to capture short-term trading opportunities arising primarily in UAE equities, and to provide attractive returns over medium-term, while reducing directional downward risk in the underlying markets. The Trading Fund invests in a portfolio of UAE and GCC equities and related securities including third party collective investment schemes, across sectors, whether listed on the Dubai or Abu Dhabi Financial Markets or, where appropriate, purchased through the ‘over the counter’ arrangements.

NBAD UAE Distribution Fund – Formed in February 2006. The Distribution Fund’s primary/ main objective is to invest in a portfolio of UAE and GCC equities, international fixed income securities and real estate and real estate related investment instruments, whether listed or, where appropriate, purchased through the ‘over the counter’ arrangements and related securities, with a view to both achieving capital growth and distributing dividend income.

NBAD UAE Islamic Fund – Formed in January 2005. The Islamic Fund’s primary/main objective is to invest in a balanced portfolio of equities based on Islamic Shari’a principles, listed on the financial markets of Dubai, Abu Dhabi, or other Arab equity markets selected by the fund manager, with a view to achieving capital growth. The Islamic Fund, while predominantly investing in the UAE will also invest in the equities listed on other Arab markets, however, the Islamic Fund will not concentrate its investment in any country other than the UAE. The Islamic Fund will comply with Islamic Shari’a principals. The Islamic Fund may also invest in third party collective investment schemes.

NBAD GCC Opportunities Fund– Formed in February 2008. The Opportunities Fund’s primary/main objective is to invest in a balanced portfolio of GCC equities and other transferable securities, whether listed on the GCC financial markets, or where appropriate, purchased through the ‘‘over the counter’’ arrangements and other related securities including third party collective investment schemes, with a view to achieving capital growth.

NBAD Cautious Income Fund – Formed in February 2012. The Fund aims to provide attractive levels of income with some prospect of capital gains over the medium term through actively investing in a mix of fixed income and money market instruments, including but not limited to corporate and sovereign bonds (including Sukuk), convertibles, money market instruments, certificates of deposits, repurchase and reverse repurchase agreements, loans and investments in other collective investment schemes (investment funds) with objectives that the Investment Manager believes are appropriate in light of the Fund’s objectives.

- Global Funds

NBAD US Equities Fund-of-funds – Formed in February 2002. The fund aims to capture long-term capital growth in US equities, primarily by selecting those Investment Managers who principally invest in diversified portfolios of traded-equities listed on recognised exchanges in the U.S.

NBAD India Equities Fund of funds – Formed in October 2004. The fund aims to capture long-term capital growth in Indian equities by selecting those Investment Managers who principally invest in diversified portfolios of traded equities listed on recognised exchanges in India or those available as international depositary receipts.

NBAD Global Equities Fund of funds – Formed in February 2002. The fund aims to capture long-term capital growth in the major equity markets primarily by selecting those Investment Managers who principally invest in a diversified portfolio of equities and equity related securities listed on recognised exchanges world-wide.

NBAD Emerging Markets Fund of funds – Formed in July 2006. The fund aims to achieve long-term investment growth, within acceptable levels of risk by employing an asset mix that is applied to capitalise on the talents and expertise of a diversified pool of emerging market Investment Managers.

NBAD Global Debt Securities Fund of funds – Formed in November 2004. The fund aims to maximise total return, consisting of capital appreciation and current income, over the long term investment horizon by selecting Investment Manager who will invest in a portfolio of debt securities. The fund invests roughly 20 percent of its total assets in Emerging Market Debt.

2. Discretionary Services

The AMG's discretionary portfolio management (equity and fixed income) offers clients comprehensive personalised services which are tailored to their investment and reporting requirements. The portfolio is managed at the discretion of the AMG but customised to suit the client's risk/return profile.

To expand the AMG business, the Bank is using its brand and credit rating to attract investment from international and regional institutional investors. In particular, the Bank's overall aim for the AMG is to be within the top third of all asset management companies in the MENA region. The Bank's strategy for achieving such growth is to develop a comprehensive range of investment management products to address different clients' needs.

Abu Dhabi Financial Services

Abu Dhabi Financial Services ("ADFS") is among the leading brokerage firms in the region, offering innovative and exceptional brokerage services. Our one stop solution provides our clients with execution services in several markets in the region. Furthermore, our sell side research is among the leading sell side research in the region. We are a wholly owned subsidiary of NBAD, adhering to strict compliance and corporate governance standards. Our customized services cater to three client segments: Retail, High Net Worth and Institutional Clients.

Custody Services

In 2010, the Bank was granted the first custody license in the UAE by Securities and Commodities Authority. As at 12 June 2011, the Bank remains the only local licensed custodian. The Bank's custody product offering provides direct custody services for the Abu Dhabi Securities Exchange and Dubai Financial Markets; with a geographical spread that extends to cover the GCC and Middle East markets through a sub-custody network and Global markets through a strategic alliance with Société Générale Securities Services as well as Direct Access; serving assets under custody in excess of AED 7.5 billion.

The Bank offers industry standard custody solutions through a full range of core and value-added custody services which include:

- settlement and clearing of securities and cash;
- safekeeping of securities and associated cash;
- reporting;
- asset servicing;
- cash management; and
- market information services.

The Bank's custody services extend to include non-discretionary portfolio management services. Furthermore, the Bank offers portfolio restructuring and asset allocation, whereby the portfolio is traded at the sole discretion of the client. All shares, whether purchased on the primary market, secondary market or "over-the-counter" are held in the name of the Bank, providing confidentiality for clients.

Clients place orders directly with the Bank’s traders and therefore have a direct access to all of the top brokerage houses in the MENA region. Settlement of all trades and foreign exchange transactions and the collection and allocation of all corporate actions is insured.

ISLAMIC BANKING

Islamic Banking comprises Abu Dhabi National Islamic Finance and the Bank’s Islamic Division. For the financial year ended 31 December 2011, Islamic Banking recorded net profits of AED 159 million and for the three month period ended 31 March 2012, Islamic Banking recorded net profits of AED 41 million.

Abu Dhabi National Islamic Finance

The Bank has established an Islamic finance subsidiary, Abu Dhabi National Islamic Finance, Private Joint Stock Company (‘‘ADNIF’’), which offers a varied range of Islamic financial services. ADNIF is headquartered in Abu Dhabi and the Bank plans for ADNIF to have offices throughout the UAE. The Bank foresees relatively fast growth in Islamic banking in the UAE and is positioning itself to take advantage of the trend. ADNIF has been incorporated with an initial paid-up capital of AED 200 million and is wholly-owned by the Bank. As at 24 May 2012, ADNIF operated five branches and has plans to operate two more branches by year-end 2012 as well as four Islamic windows within branches of the Bank and has plans to operate two more branches by 2013 with a further three Islamic windows within branches of the Bank.

ADNIF also provides financial solutions and services to retail and corporate customers and offers investment products to non-individual clients.

ADNIF’s strategy is to position itself as a leading Islamic finance institution by providing innovative Shari’a -compliant financial products and services thereby building its brand in these products. In order to acquire new customers, ADNIF is focused on key customer segments within the local markets. The Bank also expects that ADNIF will grow its existing customer base by developing structured Islamic finance products and initiating strategic alliances with select joint venture partners who will allow ADNIF to access the Islamic finance market promptly. ADNIF’s strategy for delivering its products to its customers focuses on gradually developing its own distribution channels, in addition to being able to leverage off the depth of the Bank's network.

Islamic Banking Division

In addition to the Islamic finance services offered by ADNIF, the Bank has been granted a licence by the UAE Central Bank to establish an Islamic Banking Division, which has commenced operations. The Islamic Banking Division provides Shari'a-compliant core transactional Islamic banking services catering to the needs of corporate and retail customers through ADNIF branches. The Managing Director of ADNIF is responsible for both ADNIF and the Islamic Banking Division of the Bank.

HEAD OFFICE SUPPORT AND OTHER BUSINESSES

The Bank provides centralised human resources, information technology, finance, investor relations, corporate communications, property, legal, operations and administrative support to all of its businesses.

RISK MANAGEMENT

The Board of Directors has overall responsibility for risk management in the Bank. The Board of Directors is assisted in this regard by the Risk Management Committee (a Board level committee) and six management level committees (Asset and Liability Committee, Group Credit Committee, Investment Committee Bank Equity, Operational Risk Management Committee, Reputational Risk Committee and Business Continuity Management Steering Committee).

A separate Risk Management Division (RMD), reporting to the RMC, assists in carrying out the oversight responsibility of the Board. There are four main independent functions of the RMD, which are: (i) Credit Underwriting which deals with independent underwriting of domestic and international advances; (ii) Independent Risk Management, clearly segregated from credit approval function and is responsible for overall management of portfolio credit risk, market risk and operational risk as well as overall risk architecture of the Group; (iii) Credit Administration which provides logistical support from an administrative, systems and compliance perspective and (iv) Remedial Management which manages the impaired accounts and is responsible for negotiating proposals with counterparties with the ultimate objective of arriving at settlement arrangements/agreements with minimum possible loss.

During 2011, in order for RMD to assist NBAD to build a strong scalable risk based infrastructure and support future growth, the Bank has established risk management functions within business units. This concept entails the creation of risk management units within each business units both for UAE and overseas operation. This has been undertaken to fill a gap keeping in view the expanding nature of the business.

Liquidity Risk

The Group defines its liquidity risk as the potential impact when it does not have sufficient financial resources (liquidity) to meet its obligations when they come due, or will have to do so at excessive cost. The Group's liquidity risk principally arises due to mismatches in the timing of cash-flow and funding concentration. The objective of the Liquidity management at the Group level therefore is to ensure that the Group has adequate liquidity at all times while meeting the CBUAE and other local UAE regulatory requirements on liquidity risk.

NBAD's Board of Directors has delegated the responsibility for oversight and management of the Group's liquidity risk to RMC (Board level committee). The authority to set specific limits, guidelines and controlling liquidity is delegated by RMC to ALCO (Management level committee). ALCO has delegated the day-to-day liquidity management responsibility to Group Treasurer who is authorized to operate within the parameters and limits as defined by ALCO. In establishing these parameters and monitoring liquidity, ALCO is advised by the SGM-FMD and includes an assessment of the international and local economic/political environment in which the NBAD group operates. Based upon this input, ALCO determines the strategic level of liquidity for the Group.

The following table (which has been extracted from the Bank's audited financial statements as at and for the year ended 31 December 2011) shows the maturity profile of assets, liabilities and shareholders' equity as at 31 December 2011:

	Total	Less than three months	From three months to one year	From one year to three years	From three years to five years	Over five years	Unspecified Maturity
				(AED million)			
Assets							
Cash and balances with central banks	24,469	20,425	4,026	—	—	17	—
Investments at fair value through profit or loss	1,611	1,611	—	—	—	—	—
Due from banks	15,167	12,025	3,050	92	—	—	—
Reverse repurchase agreements	16,425	13,957	1,123	1,345	—	—	—
Loans and advances	159,522	29,337	22,762	34,344	16,954	56,124	—
Non-trading investments	26,569	2,774	2,247	5,414	2,737	13,397	—
Other assets	9,689	8,025	1,111	172	224	157	—
Premises and equipment	2,216	—	—	—	—	—	2,216
	255,668	**88,153**	**34,320**	**41,367**	**19,915**	**69,698**	**2,216**
Liabilities and Equity							
Due to banks	39,796	37,025	2,678	92	—	—	—
Repurchase agreements with banks	3,514	3,514	—	—	—	—	—
Euro commercial paper	—	—	—	—	—	—	—
Customers' deposits	151,817	133,966	13,032	4,610	52	156	—
Medium-term borrowings	15,148	2,010	1,536	6,433	3,466	1,703	—
Other liabilities	11,013	8,799	1,684	165	215	151	—
Subordinated convertible notes	7,990	—	—	—	1,041	6,949	—
Equity	26,389	—	—	—	—	—	26,389

255,667	**185,314**	**18,930**	**11,300**	**4,774**	**8,960**	**26,389**

The following table (which has been extracted from the Bank's audited financial statements as at and for the year ended 31 December 2010) shows the maturity profile of assets, liabilities and shareholders' equity as at 31 December 2010:

	Total	**Less than three months**	**From three months to one year**	**From one year to three years**	**From three years to five years**	**Over five years**	**Unspecified Maturity**
				(AED million)			
Assets							
Cash and balances with central banks	18,430	11,310	7,029	58	—	33	—
Investments at fair value through profit or loss	1,293	1,293	—	—	—	—	—
Due from banks	14,765	12,124	2,637	4	—	—	—
Reverse repurchase agreements	10,898	10,486	412	—	—	—	—
Loans and advances	136,833	29,141	12,165	26,579	18,532	50,416	—
Non-trading investments	21,396	1,255	2,177	2,324	5,062	10,578	—
Other assets	5,601	4,177	1,002	114	171	137	—
Premises and equipment	2,211	—	—	—	—	—	2,211
	211,427	**69,786**	**25,422**	**29,079**	**23,765**	**61,164**	**2,211**
Liabilities and Equity							
Due to banks	31,551	28,870	2,589	92	—	—	—
Repurchase agreements with banks	2,543	2,543	—	—	—	—	—
Euro commercial paper	35	—	35	—	—	—	—
Customers' deposits	123,131	103,100	14,445	3,075	2,479	32	—
Medium-term borrowings	14,459	—	—	6,464	6,939	1,056	—
Other liabilities	7,283	5,567	1,348	93	140	135	—
Subordinated convertible	8,312	—	—	—	—	8,312	—

notes..............							
Equity...................	24,113	—	—	—	—	—	24,113
	211,427	**140,080**	**18,417**	**9,724**	**9,558**	**9,535**	**24,113**

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises in respect of financial instruments denominated in a foreign currency. The Bank's functional currency is the UAE Dirham. The Group ALCO has set limits on overnight open positions for the currencies the Bank can deal in. Foreign Currency Positions are closely monitored and hedging strategies are used to ensure these are maintained within established prescribed limits.

The following table (which has been extracted from the Bank's audited financial statements as at and for the year ended 31 December 2011) shows the significant net exposures denominated in foreign currencies to which the Bank was exposed as at 31 December 2011:

Currency	**Net spot position (short)/long**	**Forward position (short)/long**	**Total 2011 (short)/long**	**Total 2010 (short)/long**
		(AED million)		
US Dollar	8,108	(6,364)	1,744	(5,659)
UK Sterling pound	(3,046)	3,083	38	(6)
Euro	5,288	(5,332)	(44)	3
Kuwaiti Dinar	213	(174)	40	0
Omani Riyal	401	(669)	(268)	4
Saudi Riyal	(2,558)	2,050	(508)	(23)
Japanese Yen	1,503	(1,497)	6	211
Swiss Franc	252	(313)	(61)	(56)

Market Risk

Market Risk at the Group is managed as per NBAD's "Group Market Risk Policy Framework" approved by the Group ALCO. The framework provides specific guidelines on roles and responsibilities of Market Risk, its Governance Structure, Market Risk appetite statement and the limit structure. It spells the way market risk is identified, measured, monitored, controlled and reported.

As a policy the Group takes exposure to only those financial instruments/products for which the Group has appetite and which are approved by Group ALCO. For any new product therefore, sanction has to be obtained via the New Product Approval process which would ensure if necessary infrastructure is there to support the requisite dealing in the product.

Credit Risk

Credit risk is the risk that a customer or counterparty to a financial asset fails to meet its contractual obligations and causes the Group to incur a financial loss. It arises principally from the Group's loans and advances, due from banks and non-trading investments.

a) Management of credit risk

The Group's Credit Risk Management framework includes policies & procedures to monitor and manage these risks. The Group Risk Management function ensures centralized oversight for credit risk management including:

- Establishment of authorization structure and limits for the approval and renewal of credit facilities;
- Reviewing and assessing credit exposures in accordance with authorization structure and limits, prior to facilities being committed to customers. Review and renewal of facilities are subject to the same process;
- Diversification of lending and investment activities;
- Limiting concentrations of exposure to industry sectors, geographic locations and counterparties; and
- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with risk management strategy and market trends.

The internal risk rating system plays a significant role in efficient use of credit risk measurement and management including:

- Risk based pricing and determination of Risk adjusted return on capital
- Risk based monitoring (Frequency and intensity of monitoring)
- Determining risk based delegation of powers at various sanction authority levels
- Estimation of collective provisioning
- Estimation of regulatory capital as per Basel II F-IRB

Counterparty Credit Risk for Derivative Transactions

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are favourable to the Bank, which are included in other assets. The positive market value is also referred to as the "replacement cost" since it is an estimate of what it would cost to replace transactions at prevailing market rates if a counterparty defaults. Credit derivatives also help the Bank to achieve a geographic diversification of its credit portfolio and across counterparties in emerging markets where it does not have a presence. The majority of the Bank's derivative contracts are entered into with other financial institutions. The credit derivatives portfolio consists almost entirely of investment grade credits with a majority of these being rated above BBB-/Baa2 by S&P and Moody's, respectively.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability, cash flows or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or re-price in a given period. The Risk Management Committee has established acceptable levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods. The Bank manages interest rate risk by matching the re-pricing of assets and liabilities through risk management strategies and monitors the positions on a daily basis to ensure they are maintained within established limits.

The majority of the interest rate gaps are concentrated in the short end of the market and longer term investments are of very high quality and are floating rate, thus minimising the Bank's interest rate exposure.

Operational Risk Management

Operational risk is defined as the risk of loss (direct, indirect & near misses) resulting from inadequate or failed internal processes, human behaviour, systems, or from external events. While legal risk is considered to be a part of operational risk, strategic & reputation risks are excluded, and are handled separately.

The Bank has established an Operational Risk Management Department (the "**ORM**") within its RMD. The role of the ORM is to facilitate management of operational risk, create operational risk awareness and to trigger and instil appropriate risk mitigation actions in order to proactively prevent and/or minimise operational losses.

The Bank has set up an Operational Risk Management Committee (ORMC), with the core membership formed by the senior executive management, whose main objective is to steer and align the ORM activities to support the achievement of the Bank's goals. As an evolving discipline, the Bank has constantly monitored and improved its ORM methodologies and is in the process of establishing a framework and revising the methodologies to ensure that it adheres to best in industry standards and is able to track the sophisticated products and services innovated in the finance industry.

The Bank rigorously manages its operational risk through a well-defined operational risk management cycle that comprises four major stages – risk identification, risk assessment & measurement, controls and monitoring & reporting. The operational risk cycle is implemented through the use of one or more tools.

a. **Identify risks:** This involves identifying operational risks within the business units. Risks can be identified through the use of one or more ORM tools. Risk identification is typically conducted by respective business units, facilitated by trained/certified Risk Assessment Facilitators.

b. **Measure & assess risks:** The Bank measures and assesses its operational risk events in terms of its potential effects, and possible causes. Assessment may be conducted using impact-likelihood analysis, and other analytical methods. The ORM tools developed by the Bank assist in measurement and assessment.

c. **Implement controls:** With insights into possible cause(s) & potential effect(s), controls are developed in order to reduce/eliminate the risks. Management implements adequate and effective controls, based on the mitigation strategies, to prevent (or minimize the likelihood of) the operational risk events, and/or to mitigate its potential effects. The management of the business unit is responsible for executing the agreed risk mitigating action(s) and for maintaining appropriate records for tracking, monitoring and reporting the same.

d. **Monitor & report:** On-going monitoring & reporting on operational risk is crucial to ensure the continued adequacy and effectiveness of ORM activities. Multiple reporting lines are established in the Bank; between the ORMC & ORM unit, between ORM unit & business units and between the business units & the ORM unit. On the basis of the reports, corrective actions will be undertaken by the Management at various levels. Comprehensive reports based largely on the ORM tools are generated and submitted to the respective authorities.

Basel II

The Bank assesses its capital adequacy based on the Capital Adequacy Standards of the Central Bank of UAE (CBUAE) published in November 2009 for Standardized Approach. It involves criteria based assessment of risk for various asset classes and calculation of Risk Weighted Assets (RWAs) for credit, market and operational risk, to derive the required regulatory capital. All UAE banks are subject to a minimum capital adequacy ratio of 12%, which is significantly higher than the global required minimum of 8%. On the basis of the Bank's reviewed financial statements for the three-month period ended 31 March 2012, the Bank complies with the Basel II capital adequacy guidelines. The Bank's capital adequacy ratio was 20.55 per cent. as at 31 March 2012, 20.65 per cent. as at 31 December 2011, and 22.59 per cent. as at 31 December 2010, thus complying with the Basel II capital adequacy guidelines and the current minimum regulatory requirements of 12 per cent. as stipulated by the UAE Central Bank.

Basel III reforms and risk of absorbing losses

On 13 January 2011, the Basel Committee expanded on the Basel III capital rules with additional requirements (the "January 13 Annex") applicable to non-common Tier 1 or Tier 2 instruments issued by internationally active banks. The January 13 Annex requires Tier 1 or Tier 2 instruments issued by an internationally active bank to have a provision in its terms and conditions or be included in a statutory legal framework that requires such instruments, at the option of the relevant authority, to either be written off or converted to common equity upon a "trigger event." A "trigger event" is the earlier of: (1) a decision that a write-off, without which the bank would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non-viable, as determined by the relevant authority.

However, the January 13 Annex also states that it is not necessary to include a trigger event in the contractual terms of the instruments if (a) the governing jurisdiction of the bank has in place laws that (i) require such instruments to be written off upon the occurrence of such trigger event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss; (b) a peer group review confirms that the jurisdiction so conforms; and (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to such loss.

It is envisaged that the additional requirements imposed by the January 13 Annex apply to all instruments issued after 1 January 2013. Instruments issued prior to that date that do not meet the criteria set out above but meet all of the entry criteria for Additional Tier 1 or Tier 2 set out in Basel III Guidance will be phased out from 1 January 2013 under the relevant grandfathering arrangement.

There can be no assurance that, prior to its implementation in 2013, the Basel Committee will not amend the January 13 Annex described above.

Further, the January 13 Annex may be implemented in the UAE in a manner that is different from that which is currently envisaged, or regulations may be introduced in the UAE which impose additional requirements on, or otherwise affect the requirements for capital instruments issued by UAE banks. At this time, there is no official guidance from the UAE Central Bank on the implementation of Basel III.

The Bank is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements applicable to it. Under Basel II and Basel III (as the same is expected to be implemented in the UAE), capital requirements are inherently more sensitive to market movements than under previous regimes and capital requirements will increase if economic conditions or negative trends in the financial markets worsen. Any failure of the Bank to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions, which in turn may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. A shortage of available capital might restrict the Bank's opportunities for expansion. In the future, under Basel III, capital and liquidity requirements are expected to increase. On 16 December 2010, the Basel Committee issued its final guidance on Basel III in "Basel III: A global regulatory framework for more resilient banks and banking systems". A revised version is subsequently published in 2011 ("Basel III 2011 Guidance"). The Basel Committee's package of reforms includes increasing the minimum common equity (or equivalent) requirement from 2 per cent. (before the application of regulatory adjustments) to 4.5 per cent. (after the application of stricter regulatory adjustments) of risk weighted assets. The total Tier I capital requirement will increase from 4 per cent. to 6 per cent. of risk weighted assets. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer of 2.5 per cent. to withstand future periods of stress, bringing the total common equity (or equivalent) requirements to 7 per cent. of risk weighted assets. If there is excess credit growth in any given country resulting in a system-wide build up of risk, a countercyclical buffer within a range of 0 per cent. to 2.5 per cent. of common equity (or other fully loss absorbing capital) is to be applied as an extension of the conservation buffer. Furthermore, systemically important banks should have loss absorbing (see the following section "Basel III reforms and risk of Sukuk absorbing losses") capacity beyond these standards. The Basel III reforms also require Tier I and Tier II capital instruments to be more loss-absorbing. If the Basel III proposals are implemented in the UAE in their current form, the reforms would therefore increase the minimum quantity and quality of capital which the Bank is obliged to maintain. There can be no assurance as to the availability or cost of such capital for the Bank. The proposed Basel III capital requirements will be supplemented by a leverage ratio, a liquidity coverage ratio and a net stable funding ratio. The proposed reforms are expected to be implemented by the beginning of 2013, however the requirements are subject to a series of transitional arrangements and, where implemented, will be phased in over a period of time, to be fully effective by 2019.

There can be no assurance that, prior to its implementation in 2013, the Basel Committee will not amend the package of reforms described above. Further, Basel III may be implemented in the UAE in a manner that is different from that which is currently envisaged, or regulations may be introduced in the UAE which impose additional capital requirements on, or otherwise affect the capital adequacy requirements relating to, UAE banks. If the regulatory capital requirements, liquidity restrictions or ratios applied to the Bank are increased in the future, any failure of the Bank to maintain such increased regulatory capital ratios could result in administrative actions or sanctions, which may have an adverse effect on the Bank's business, financial condition, results of operations and prospects.

Credit Approval Procedures

The Bank's credit approval process follows a tiered approach with approvals for small retail credits being undertaken at the branch and regional levels. Larger credits are referred upwards through to the RMD under the Senior General Manager and Group Chief Risk Officer ("**SGM&GCRO**") at Head Office. Approvals are then provided from within the various levels of discretionary authorities within RMD with credits above these levels being referred along with RMD's recommendations to the Group Credit

Committee ("**Group CC**"). Facility requests for amounts in excess of the amount which Group CC has discretion to authorise are referred to the Bank's Risk Management Committee (a board level committee).

Discretionary powers within the Bank are linked to risk ratings, tenor and other control parameters and are consistently reviewed by the RMD and the Chief Executive with updates and amendments being undertaken on a regular basis, following review by the risk management committee.

Non-Performing Loans

Non-performing loans ("NPLs") increased from AED 4,839 million as at 31 December 2011 to AED 5,100 million as at 31 March 2012. NPLs have increased by AED 1.85 billion in absolute terms between 31 December 2010 and 31 March 2012 with the ratio of NPLs as a percentage to gross loans increasing from 2.31 per cent. to 3.03 per cent. The Issuer's NPL ratio remains among the lowest in the industry and well below the industry average. In addition, the Issuer's NPLs are well covered with a provision coverage of 99 per cent. as at 31 March 2012. The increase in NPLs is a reflection of the downturn in the credit cycle in UAE. Private sector credit exposures are primarily to major business groups in the country and infrastructure and real estate projects that are currently underway. NPLs to gross loans other than government and public sector loans were 4.89 per cent as at 31 March 2012, 4.76 per cent. as at 31 December 2011 and 3.78 per cent. as at 31 December 2010 respectively.

The following tables provide a breakdown of NPLs as a percentage of gross loans made and the loan-loss reserves and charges made to NPLs and gross loans, respectively, each as at 31 March 2012, 31 December 2011 and 31 December 2010, respectively, and the movement in NPLs for the three-month period ended 31 March 2012 and the years ended 31 December 2011 and 31 December 2010, respectively:

	As at 31 March 2012	As at 31 December 2011	As at 31 December 2010
	(reviewed)	*(audited)*	*(audited)*
NPLs/gross loans	3.03	2.94	2.31
NPLs/gross loans, excluding public sector and government loans..	4.89	4.76	3.78
Loan-loss reserves/NPLs...................................	98.79	99.20	112.77
Loan-loss charge/gross loans	0.19	0.81	0.79

	Movement in NPLs for the period ended		
	31 March 2012	31 December 2011	31 December 2010
	(reviewed)	*(audited)*	*(audited)*
		(AED million)	
NPLs at the beginning of the year.......................	4,839	3,249	1,687
Less recoveries..	82	128	49
Less written off..	77	205	109
Add net additions..	420	1,923	1,720
NPLs at the end of the period	5,100	4,839	3,249

Please note that all figures and ratios in the above section on non-performing loans with respect to NPLs and gross loans exclude interest suspended.

Related Party Exposure

Loans to related parties amounted to 205 per cent. of total equity as at 31 March 2012 and 191 per cent. as at 31 December 2011. Related party deposits were higher by AED 26.3 billion than related party loans at 31 March 2012.

INFORMATION TECHNOLOGY

The Bank's Information Technology (''IT'') Department continues to deliver a competitive advantage to the Bank by (i) building a group-wide shared IT services centre (Bank in a Box – BIAB); (ii) automating more business processes through applications; and (iii) enhancing our services through expanding the IT service management and governance frameworks.

The Bank's IT Department is focused on utilising the most advanced IT systems to serve the Bank's customers and ensure that customers' data is well protected and secured against unauthorised access. To improve responsiveness to the needs of the business, the IT department is organised into six main units, namely IT Strategy and Planning, IT Security, IT Infrastructure, Business Services, Consolidated Services, and Business Applications.

The Bank has implemented new business systems to offer enhanced services to the Bank's customers and eliminate geographical barriers. These new browser-based systems offer hardware independence, eliminates downtime during end-of-day processing and supports the latest automatic failover and clustering technologies. Moreover, the systems use open technologies that are more resilient against technology obsolescence. In addition, the Bank is continually enhancing and renewing existing applications, and implementing new systems to improve the Bank's ability to leverage its information assets to better serve its customers.

GROUP INTERNAL AUDIT

Group Internal Audit provides an independent, objective assurance and consulting activity across all functions and countries of the NBAD Group, including subsidiary companies, designed to add value and improve the organizations operations. This activity includes an objective evaluation of the Group's risk management, internal control and corporate governance processes, with a risk based audit methodology employed in line with international best practice. Group Internal Audit operates under an Internal Audit Charter approved by the Board Audit Committee to whom the Group Chief Audit Officer reports. This ensures complete independence and objectivity. Audit has unrestricted access to all of the Group's records and staff and provides the 'third line of defence' in the Bank's overall control environment.

Group Internal Audit employs 50 staff and comprises the following units:

- Group Consumer Banking Audit, which covers the Domestic Banking Division and the Islamic Banking Division;
- Group Corporate & Investment Banking Audit, which covers the Corporate & Investment Banking Division and the International Banking Division;
- Group Financial Markets & Global Wealth Audit, which covers the Financial Markets Division and the Global Wealth Division;
- Group Operations Audit, which covers the Support Division as well as the Group's domestic branch network;
- Group Technology Audit, which covers the Group's IT systems; and
- Strategic Projects Audit, which covers the Group's ongoing strategic projects.

GROUP COMPLIANCE DIVISION

The Group Compliance Division ("**GCD**") has overall responsibility for ensuring that the Bank's activities are conducted in accordance with all applicable laws and regulations in the jurisdictions in which it operates. This includes, amongst other functions:

- ensuring the Bank has effective and sufficient policies, procedures and systems to ensure compliance with applicable laws and regulations;
- assisting in the prevention of financial fraud and money laundering;
- assisting the Bank in complying with all relevant trade sanctions legislation in the countries in which it operates and transacts business; and

- defining and promoting effective data security policies and procedures.

The GCD reports to the Chief Executive of NBAD and directly employs 31 members of staff in the Bank's Head Office, as well as 33 full and part time compliance officers in the Bank's business units, subsidiaries and international branches. The GCD comprises the following units:

- Group Compliance Department, which is primarily responsible for the first function and directly employs 7 full time staff, supported by the compliance officers in the business units, international branches and subsidiaries;

- Prevention of Money Laundering and Financial Fraud Department, which is primarily responsible for the second function and directly employs 6 full time staff, supported by full and part time staff from the compliance officers in the business units, international branches and subsidiaries;

- Sanctions Compliance Department, which is primarily responsible for the third function and directly employs 10 full time staff, supported by full and part time staff from the compliance officers in the business units, international branches and subsidiaries; and

- Data Security Compliance, which is primarily responsible for the fourth function and directly employs 3 full time staff.

The Bank has established customer due diligence policies and procedures, which preclude a business unit from establishing a new relationship until all parties have been identified, and training programmes to help ensure that all relevant staff are aware of their responsibilities in respect of the prevention of money laundering and terrorist financing. The GCD is responsible for ensuring that the Bank's policies and procedures comply with the requirements of the UAE Central Bank (and other regulators in the jurisdictions in which the bank operates) and for reviewing compliance by business units.

GCD provides a report on a quarterly basis to the Board Audit Committee on Regulatory and Compliance matters.

In 2011, the Bank introduced a Reputational Risk Committee ("**RRC**") to safeguard the reputation of the Bank, its employees and its customers. The RRC advises the Bank on reputational, compliance and ethical matters.

SUBSIDIARIES AND AFFILIATES

	Country of Incorporation / Address	% Ownership (Voting Rights)	Nature of Major Business	Capital Amount	Accounting Treatment
Subsidiaries:					
Abu Dhabi International Bank	Curacao, Netherlands	100%	Banking	USD 50 million	Fully Consolidated
Abu Dhabi Financial	Abu Dhabi, UAE	100%	Shares &	AED 30 million	Fully

Services			Securities		Consolidated
Abu Dhabi National Leasing	Abu Dhabi, UAE	100%	Leasing	AED 10 million	Fully Consolidated
Abu Dhabi National Islamic Finance	Abu Dhabi, UAE	100%	Islamic Finance	AED 200 million	Fully Consolidated
NBAD Private Bank (Suisse) SA	Geneva, Switzerland	100%	Private Banking	CHF 100 million	Fully Consolidated
NBAD Trust Company (Jersey) Ltd	Jersey, Channel Islands	100%	Trustee Services	GBP 55 thousand	Fully Consolidated
Ample China Holding Limited	Hong Kong, China	100%	Leasing	HKD 10 thousand	Fully Consolidated
Abu Dhabi National Property PJSC	Abu Dhabi, UAE	100%	Real Estate management and advisory service	AED 200 million	Fully Consolidated
Abu Dhabi Brokerage Egypt	Egypt	70%	Shares & Securities	EGP 10 million	Partially Consolidated

Significant Investments:

NBAD Special Purpose Entities					
NBAD Nominees Ltd.	England	100%	Dormant	GBP 100	Deducted from Capital
NBAD Fund Managers (Guernsey Limited)	Bailiwick of Guernsey	100%	Fund Management	GBP 19 thousand	Deducted from Capital
Misr Iran	Egypt	20%	Construction	USD 8 million (equivalent of LE 13.5 million)	Deducted from Capital
One Share PLC	Cayman Islands	57.14%	Fund Management	Variable	Not consolidated
NBAD Deucalion Investment Manager Limited	Cayman Islands	50.00%	Fund Management	USD 50 thousand	Not consolidated

Note:
1. There is no major restriction on inter- Group transfer of funds. In certain jurisdictions where these apply it constitutes less than 1% of the Group's capital.
2. There is no direct or indirect interest in insurance entities.

3. NBAD Private Equity 1 and NBAD Global Growth Fund PCC Limited are shell companies for Fund Management with insignificant investments, hence not shown.

EMPLOYEES

As at 31 March 2012, the Bank employed 5,811 full time staff members.

The following table shows the geographical distribution of full time employees by location as at 31 March 2012:

Country	Number of
United Arab Emirates…………………………………………	4584
Egypt………………………………………………………..	707
Oman……………………………………………………….	154
Sudan……………………………………………………….	89
United Kingdom…………………………………………….	52
Kuwait………………………………………………………	39
Bahrain………………………………………………………	25
United States of America……………………………………	25
Switzerland………………………………………………….	37
France………………………………………………………..	18
Jordan………………………………………………………..	43
Hong Kong…………………………………………………..	24
Malaysia	11
Libya…………………………………………………………	4
Total………………………………………………………….	5812

The Bank's overall human resources strategy is to attract, select and retain the highest quality of staff across all of its businesses.

As part of a policy of ''Emiratisation'', in 1999 UAE banks were instructed to increase the number of UAE nationals on their payroll by at least 4 per cent. per annum until they reached 40 per cent. of the payroll.

The Bank's UAE nationalisation committee is charged with the responsibility of developing existing UAE staff and attracting good talent.

In 1999, UAE nationals comprised 12.1 per cent. of the staff of the Bank and as at 31 March 2012 this figure has increased to 38.33 per cent. The Bank plans to continue to increase the percentage of employees who are UAE nationals in line with the ‘‘Emiratisation’’ policy. Training and recruitment of nationals for managerial positions is a major objective of the Bank whereby such management trainees undergo either a 10-months full time program at NBAD Academy to earn a diploma in banking from the prestigious Institute of Financial Studies or a two-year Masters in Finance (the first year full time at NBAD Academy and the second year part time at Zayed University). The Bank continues to support training and sponsor students in local universities and colleges.

(as of 31 March 2012)

	Government and and/or local public body	Companies	Individual Investors	Total
Number of shareholders	8	214	1,783	2,005
Number of shares	2,742,496,885	287,698,961	844,362,570	3,874,558,416
Ratio against the total outstanding shares	70.8%	7.4%	21.8%	100 %

Note: Information as available from ADX as of 31 March 2012

Major Shareholders

As disclosed by ADX, only shareholders holding more than 5% of equity capital are considered major shareholders. We do not therefore provide details of shareholders holding less than 5% of equity capital. As of 31 March 2012, only Abu Dhabi Investment Council is a major shareholder.

(as of 31 March 2012)

Name	Address	Number of Shares	Percentage of Shares Outstanding
Abu Dhabi Investment Council	Sheikh Hamdan Building Silver Tower Abu Dhabi United Arab Emirates	2,730,871,335	70.48%

OFFICERS AND DIRECTORS

Directors

Name	Job Title	Birth Date	Profile
H. E. Nasser Ahmed Alsowaidi	Chairman	01/01/1961	Chairman – Department of Economic Development Member of the Executive Council of Abu Dhabi Board member – Mubadala Development Company P.J.S.C.
H. E. Dr. Jauan Salem Al Dhaheri	Deputy Chairman	21/07/1948	Member of Supreme Council of Petroleum, emirate of Abu Dhabi Board Member – Abu Dhabi Investment Authority

			Board Member – Etihad Airways
H.E. Mohammed Omar Abdulla	Board Member	04/02/1962	Board Member – Abu Dhabi Ports Company Board Member - Sh. Khalifa Fund Board member – Abu Dhabi Retirement Pension & Benefits Fund
Mr. Khalifa Sultan Al Suwaidi	Board Member	11/04/1974	Executive Director – Abu Dhabi Investment Council Board Member – AD Invest Board Member – Abu Dhabi Securities Exchange
Mr. Hashim Fawaz Al Kudsi	Board Member	13/01/1967	Executive Director – Abu Dhabi Investment Council Board Member – Al Wathba Company for Central Services Board Member – AD Investment
Mr. David Beau	Board Member	09/07/1970	Chief Investment Officer – Abu Dhabi Investment Council Executive Committee Member – AD Invest
Mr. Sultan Bin Rashed Al Dhaheri	Board Member	31/12/1932	Board Member – Abu Dhabi National Insurance Company Businessman in various Commercial Activities
Sheikh Ahmed Bin Mohammed Sultan Al Dhaheri	Board Member	03/05/1971	Board Member – Etisalat Board Member National Hotels Company Board Member – Abu Dhabi Aviation
Sheikh Mohammed Bin Saif Bin Mohammed Al Nahyan	Board Member	19/10/1978	Board Member – Abu Dhabi National Insurance Company Businessman in various Commercial Activities
Mr. Matar Hamdan Al Ameri	Board Member	07/02/1967	Board Member – National Drilling Company Board Member – ADNOC Marketing International, Singapore Board Member – Excel London (subsidiary of ADNEC)
Michael H. Tomalin	Board Member	10/04/1947	N/A

General Management

Name	Job Title	Birth Date	Profile
Michael H. Tomalin	Chief Executive	10/04/1947	Mr. Tomalin is a senior international wholesale and private banker with hands on executive experience in the UK, Japan, Middle East, Australasia, the Caribbean and the Far East. Mr Tomalin trained as an Investment Manager at Rothschild and broadened into General Management at Barclays. Mr Tomalin was the Chief Executive of Barclays Private Banking

			between 1992 – 1999 and was appointed as Chief Executive of the Bank in mid 1999. It was announced at the 2012 AGM that Mr Tomalin intends to retire later this year following the appointment and handover to a successor.
Abdulla Mohamed.Saleh. AbdulRaheem	Senior General Manager, Group Chief Operating Officer	20/03/1961	Mr. AbdulRaheem joined the Bank in 1982 and held various positions prior to being appointed Chief Operating Officer in January 2003. He was appointed as General Manager & Chief Operating Officer in April 2005 and Senior General Manager & Group Chief Operating Officer in October 2007. As of 1 July 2012, Abdulla will be appointed Deputy Group Chief Executive. In addition to his new role and responsibility, he will continue to be responsible for Group Finance, Business Planning and Strategy, Group Treasury, NBAD Properties, Security Services, Corporate Communications, Administration and Procurement. & Commercial Management. Mr. AbdulRaheem was awarded a B.Sc. in Accounting and Business Administration from UAE University in 1982. He is a Certified Public Accountant – inactive effective July 2004 (Washington D.C. State Board of Accountancy, United States 1997) and has been a member of the American Institute of Certified Public Accountants since 1998. Mr. AbdulRaheem is also a former Certified Financial Consultant (Institute of Financial Consultants, United States and Canada 1999, returned certificate effective November 2002).
Saif Al Munakhas Al Shehhi	Senior General Manager, DBD	15/05/1966	Mr. Al Shehhi holds a B.S. in Management Technology, New England College, USA in 1987 and attended Core State Advanced Management Program for Overseas Banker at Wharton School, University of Pennsylvania in 1996. He joined the UAE Central Bank's Banking Supervision and Examination Department in 1987 where he worked until April 1994 when he joined the Audit and Compliance Division of the Bank. Mr. Al Shehhi became Head of Audit and Compliance at the Bank in April 2000, a role he held until April 2005 when he was appointed as the General Manager of the DBD. In July 2007, Mr. Al Shehhi was appointed as Senior General Manager of DBD. As of 1 July 2012, Mr. Al Shehhi will transfer from his role in DBD to take on his new appointment as Advisor to the Board.
Qamber Ali Al Mulla	Senior General Manager, IBD	01/01/1960	Mr. Al Mulla holds a Masters Degree in Business Administration. His career with the Bank spans a period of 30 years. Mr. Al Mulla has had roles within the Bank that have included Retail Operations, Audit and Compliance (Financial

			Auditor), Credit and Marketing (Assistant Vice President, Area Manager and Deputy Head of International Banking). In October 1998, Mr. Al Mulla was appointed Assistant General Manager & Head of International Banking. In April 2005, Mr. Al Mulla was appointed General Manager, International Banking Division and, in July 2007 was promoted to Senior General Manager, with the remit of managing the Bank's international presence which currently consists of a network of 50 units in 11 countries (excluding the private banking operation in Switzerland) and the Division's derivative book. In addition to his immediate remit, he is also Member of the Board of Abu Dhabi Financial Services (NBAD's Brokerage Operation in the UAE), Supervisory Director of the Board of Abu Dhabi International Bank (the Bank's fully owned subsidiary in Washington) and Member of the Board of NBAD Suisse (NBAD's Private Banking Operation in Geneva).
Akram Mark Yassin	Senior General Manager, CIBD	12/01/1955	Mr. Yassin joined the Bank in May 2008 as the Senior General Manager of the CIBD. Prior to joining the Bank, Mr. Yassin held senior and executive positions in a number of international banks, consulting firms and regional banks with a career which has spanned over more than 22 years covering assignments in Bahrain, the Kingdom of Saudi Arabia, Canada and the United States and predominantly covering corporate finance, global project and structured finance, financial and strategic advisory, infrastructure and project debt advisory/debt arranging, syndications, trade finance, private equity and corporate banking. Additionally, Mr. Yassin also has 5 years of experience in the field of engineering and project management. Prior to joining the Bank, Mr. Yassin's last position was as the Global Head of Corporate Finance in Arab Bank. At the Bank, Mr. Yassin has been entrusted to manage the newly integrated CIBD comprising Corporate Banking Group, Investment Banking Group, Wholesale Banking Group, ADNP, ADNL as well as the Private Equity department. Mr. Yassin has also contributed and written several articles in various publications including Euromoney Yearbook, Project Finance International, Middle East Economic Digest and Emerging Markets Investors. Mr. Yassin holds a Masters Degree in Business Administration from Southern Methodist University in Dallas, Texas and a Masters Degree in Engineering from the University of Surrey in the United Kingdom.

Mahmood Al Aradi	Senior General Manager, FMD	22/05/1959	Mr. Al Aradi is the Senior General Manager, FMD, a role that he has held since May 2007. Prior to joining the Bank, Mr. Al Aradi held senior and executive positions in a number of international and regional banks with a career which has spanned more than 27 years covering assignments in Bahrain, Kuwait, Singapore, New York, and London. Immediately prior to joining the Bank he was the Head of Treasury of the Gulf Investment Corporation in Kuwait from 2004. Mr. Al Aradi graduated from the Gulf Technical College in Bahrain and attended the Executive Program at the Darden Business School of the University of Virginia
Abhijit Choudhury	Senior General Manager & Chief Risk Officer	04/02/1955	Mr. Abhijit Choudhury joined the Bank as the Chief Risk Officer in December 2006. Mr. Choudhury started his banking career with ANZ Grindlays Bank in India. During his thirty years of banking experience, the last seventeen of which were with the Arab Banking Corporation in Bahrain, he has served in various fields of banking, concentrating in the latter years on the progress and growth of the Risk Control function associated with different business segments in banking. In recent years, Mr. Choudhury has been an active contributor to Risk Management initiatives in the region, sponsored by regional bodies such as Central Banks, the Union of Arab Banks and the International Institute of Finance (IIF). He currently serves as a member of the IIF's Steering Committee on Regulatory Capital. In his current role within the Bank as Senior General Manager & Group Chief Risk Officer, Mr. Choudhury is vested with oversight responsibilities for both deals adjudication relating to all segments of the bank's business, as well as the independent risk management of the diverse risks arising from the bank's present activities and future growth plans. Mr. Choudhury holds a Masters Degree in Economics from the Jawaharlal Nehru University, New Delhi, India.
Rüdiger von Wedel	Senior General Manager, Global Wealth	16/12/1967	Mr. Rüdiger von Wedel joined the Bank in June 2010 as the Senior General Manager of the Global Wealth division. Mr. von Wedel has more than two decades of experience in private and wholesale banking. Before joining the Bank, he worked at ABN AMRO, where in his last position he was the chief executive of the bank's global private banking business managing assets of more than U.S.$150 billion. Mr. von Wedel worked for ABN AMRO for more than 18 years, where he served the bank in several different capacities, including executive roles in investment and corporate banking as well as heading the group's central strategy and

			performance management department. He worked for ABN AMRO in Austria, Germany, France, the Netherlands, and the UK. Mr. von Wedel holds an MBA from INSEAD and a bachelor's degree in economics from London School of Economics.
Jamil Elhalabi	Group Chief Financial Officer	1/12/1960	Mr. Jamil Ibrahim ElHalabi joined the National Bank of Abu Dhabi (NBAD) in 1998 and has held the position of Chief Financial Officer since 2007. Mr. ElHalabi has a broad knowledge of financial services gained from 24 years of experience working in banking, audit and financial industries. He holds a Masters degree in Business Administration from the American University of Beirut, Lebanon, in addition to international professional qualifications.
Dr. Gıyas Gökkent	Group Chief Economist	11/11/1969	Dr. Giyas Gökkent joined the Bank in 2006. Prior to joining the Bank, Dr. Gökkent worked at the strategic planning department of Garanti Bank, Turkey as an economist where he also served as a member of an advisory body for Volkswagen-Dogus Finance Company. Dr. Gökkent has also served as an active Member of the banking sector advisory body at the Turkish Industrialists' and Businessmen's Association. He has held a number of academic positions since 1997 in the US, Turkey, and the UAE. He had been an acting department head at Abu Dhabi University prior to joining the Bank. Dr. Gökkent holds a Ph.D. in Economics from Florida International University and is a recognised expert in regional economics and the banking sector.
Abdulla Al Otaiba	General Manager, Corporate Banking Group (UAE) and Deputy Senior General Manager, CIBD	24/02/1973	Mr. Abdulla Al Otaiba joined the National Bank of Abu Dhabi (NBAD) in 2003. During his career with NBAD, he has served in the Domestic Banking Division as Deputy Senior General Manager and was appointed the General Manager of the Corporate Banking Group in 2007. He also served as the Deputy Senior General Manager of NBAD's Corporate & Investment Banking Division, which comprises of Corporate Banking, Investment Banking and wholesale Banking Group. In June 2012, he was promoted to Senior General Manager Domestic Banking Division (effective as of 1 July 2012), with DBD being comprised of Consumer and Elite banking and the Business Banking Group (SMEs). He is also responsible for Islamic Banking which is managed by Abu Dhabi National Islamic Finance (ADNIF), the Sharia-compliant finance and banking arm of NBAD. Mr. Al Otaiba is Chairman of Abu Dhabi National Properties (ADNP) and Board Member of Abu

			Dhabi National Islamic Finance Pvt. JSC (ADNIF), both fully-owned subsidiaries of NBAD. He also serves on the Boards of National Corporation for Tourism & Hotels, Abu Dhabi Tawteen Council, and Abu Dhabi National Insurance Company. He is also a member of Economic Committee in the Higher National Security Council. In addition to the above, he manages several other businesses of his own in the field of private investment. Mr. Al Otaiba graduated from University of South Carolina in the United States with a Bachelor of Finance and earned a Master of Business Administration from Concordia University of Canada.
Rola Abu Manneh	General Manager, Wholesale Banking Group	08/03/1970	Mrs. Abu Manneh is currently the General Manager of Wholesale Banking Group at the Bank. She has over 17 years of experience in international and wholesale banking and has worked on major syndicated loan transactions in the GCC region. In her roles as the General Manager of Wholesale Banking Group, she manages five business lines namely: • the Financial Institution Department which handles global Financial Institution relationships in additional to Financial Institution lending and international risk participation business; • the Global Trade Finance business of the Bank; • the Global Project & Structured Finance which is responsible for originating and booking syndicated loan transactions for corporate and Project Finance borrowers; and • the Syndications & Specialised Portfolio department which manages the global loan distribution in addition to the bond investment portfolio. • the Global Cash Management Department which provides global cash management and deposit services. Mrs. Abu Manneh is a member of the Board of Directors of ADNP, a wholly owned subsidiary of the Bank. Mrs. Abu Manneh is a UAE national and obtained her Bachelors of Science degree (majoring in Mathematics & Operational Research) from the University of London – Royal Holloway & Bedford New College.
Graham Hallett	General Manager, Abu Dhabi National Properties	12/06/1966	Mr. Graham Hallett has over 24 years of real estate experience with a number of international and Middle Eastern real estate companies. For the 6 years prior to joining the Bank, Mr. Hallett held senior positions with a leading UAE private property developer, Majid Al Futtaim. Mr Hallett's international career spans across several

			continents, working in India, Asia, Europe and Africa. Prior to arriving in the Middle East, Mr. Hallett held a senior position with Heron Corporation and was based in London and other European cities.
Fawaz Abusneineh	Head, Debt Capital Markets	6/7/1977	Mr. Fawaz Abusneineh has been with the Bank for over 11 years and is currently the acting Head of Debt Capital Markets within the Investment Banking Division. Prior to his current position, Mr. Abusneineh headed the loan syndication and distribution for each of the Bank's units, including Corporate, Project & Structured Finance, and Financial Institutions. Prior to joining the Bank, Mr. Abusneineh was a business consultant at Arthur Andersen and Co., Dubai Office. Mr. Abusneineh holds a Bachelor of Science in Accounting and Finance from the London School of Economics. He also holds the Chartered Financial Analyst designation and is a member of the CFA Institute..
Alan Durrant	Chief Investment Officer, Asset Management Group	30/01/1972	Mr. Durrant holds a degree in Economics from Loughborough University (Hons). He has held senior positions in a number of international and regional asset management and investments firms. Prior to joining the AMG, Mr. Durrant was the Head of Asset Management at Gulf Finance House in Bahrain from 2007 to 2009. Mr. Durrant began his investment career in 1993 with Hargreaves Lansdown, a leading investment broker in the UK, culminating in his appointment as Investment Director. From 2004 to 2007, Mr. Durrant was the Chief Investment Officer and Chairman of the Investment Committee at Skandia Investment Management. During his tenure at Skandia, Skandia won the Financial Adviser Multi-Manager of the Year Award for three consecutive years and was amongst the fastest growing fund management businesses in Europe. Mr. Durrant had overall responsibility for asset allocation and investment selection across equities, fixed interest, property, private equity and alternative asset classes and personally managed assets of approximately U.S.$10 billion.
Malcolm Walker	General Manager & Group Chief Audit Officer	17/11/59	Mr. Malcolm Walker joined the Bank in 2010. Prior to joining the Bank, Mr. Walker worked for Standard Chartered Bank for 20 years, spending 15 years in the bank's Audit & Investigations function and most recently serving as Chief Operating Officer and Managing Director. Mr. Walker holds an MBA from Henley Management College as well as a Master of Science and a Bachelor of Laws degree.
John Garrett	General Manager & Group	16/09/1951	Mr. Garrett has over 38 years' banking experience with a number of international and Middle Eastern banks. For the 18 years prior to joining the Bank, Mr. Garrett was responsible for the internal audit

	Chief Compliance Officer		function in Hambros Bank Ltd., Saudi Hollandi Bank and the National Bank of Oman. He joined the Bank in 2005. Mr. Garrett was awarded a B.Sc. from Durham University in the United Kingdom, is an Associate of the Chartered Institute of Bankers (United Kingdom) and is a Certified Information Systems Auditor.
Khaled Ahmed Suleiman	General Manager Global Head of Private Banking Division/ CEO of NBAD Private Bank (Suisse) SA	26/03/1967	Mr. Suleiman started his career at Cable & Wireless, Saudi Arabia in July 1994, becoming the Managing Director in June 1997, before moving to Switzerland for the opportunity of a new career in private banking. After starting with HSBC in 2001, he moved to Banque Piguet as Vice President in 2004, before moving to the Bank in 2006 to set up NBAD Private Bank (Suisse) SA. In addition to being Chief Executive Officer of NBAD Private Bank (Suisse) SA, Mr. Suleiman is also General Manager of Global Private Banking. Mr. Suleiman studied in both Switzerland and the United States, and obtained a B.Sc. in Engineering.
Ayman Samawi	Managing Director, Abu Dhabi Financial Services	06/04/1962	Mr. Samawi was appointed as the Managing Director of Abu Dhabi Financial Services in January 2010. Mr. Samawi's professional experience spans nearly two decades in international financial markets that includes executive positions in major financial centers, covering a wide range of products, commodities and markets including creative innovations in derivatives. Prior to joining ADFS, Mr. Samawi was Chief Executive Officer (CEO) of National Finance Brokerage Company (NFBC), a subsidiary of Abu Dhabi Investment Company. Prior to joining NFBC, Samawi was Executive Vice President at ICAP North America in New York where he introduced, developed and led the Residential Property Derivatives brokering division. Additionally, he initiated an ICAP venture in property derivatives information business as CEO. Mr. Samawi held past positions with ICAP's interest rates division, as Vice President and later as Managing Director where he managed economic derivatives and co-developed (with Goldman Sachs) the prepayment derivatives markets. ICAP is the world's premier voice and electronic interdealer broker with an average daily transaction volume in excess of U.S.$2 trillion. Additionally, Mr. Samawi has founded various ventures including BroadReach Group FZE in the UAE. He also co-founded and acted as Managing Partner and Chief Operating Officer of Capstone Global Energy. Prior to Capstone, Mr. Samawi was Vice President at Tullet & Tokyo in New York, where he founded the relative value group. Under this group, he was involved in structuring and

			marketing synthetic swaps and options.
Yousef Abdulla Yousef	Managing Director, Abu Dhabi National Leasing	18/09/1962	Mr. Yousef Abdulla Yousef is the Managing Director of Abu Dhabi National Leasing (''ADNL''), the asset based financing/leasing arm of the Bank. He has been associated with banking industry since 1987 where he acquired extensive experience and expertise in front line banking services and operations. From the start of his career in 1987 he has worked with many financial institutions. Mr. Yousef joined the Bank in 1999 where he has rendered his services in diversified capacities, including Deputy Head of Corporate Banking. In 2003, he was entrusted with the additional task of establishing and organizing ADNL, a wholly owned asset financing arm of the Bank. In order to provide impetus and strength, Mr. Yousef was made a full-time Managing Director of ADNL. Under ADNL, he has concluded several landmark lease transactions which were unique in structure and significant in size and encompassed varied asset classes. Mr Yousef studied Industrial Engineering and Computer Science in University of Miami, Florida, USA.
Samer Abdelhaq	General Counsel & Head of Legal Department	09/09/1975	Mr. Samer Abdelhaq joined the Bank in June 2008 as Deputy General Counsel, and subsequently was appointed as General Counsel and Head of Legal Department in January 2010. He holds an LLB from the University of Jordan, an LLM in International Banking and Finance Law from Boston University and a post graduate diploma in law from Nottingham Trent University. Prior to joining the Bank, Mr. Abdelhaq practised banking and finance law with Allen & Overy LLP and Simmons & Simmons. Mr. Abdelhaq is a member of the Law Society of England & Wales

Changes to the board members

The Bank will undergo the following changes to its Board effective from 1 July 2012:

1. Abdulla M.S. AbdulRaheem

Abdulla M.S. AbdulRaheem (currently Group Chief Executive Officer) will be appointed Deputy Group Chief Executive and will be responsible for Finance/Business Planning and Strategy/NBAD Properties/Security Services/Corporate Communications and Administration.

A profile of Abdulla M.S. AbdulRaheem is set out above.

2. Abdulla Al Otaiba

Abdulla Al Otaiba (currently General Manager, Corporate Banking Group (UAE) and Deputy Senior General Manager, CIBD) will succeed Mr. Saif Al Shehhi as Senior General Manager : Domestic Banking Division. Abdulla will also take responsibility for Islamic Banking and the new Managing Director of Abu Dhabi National Islamic Finance (to be appointed) will report directly to him.

A profile of Abdulla Al Otaiba is set out above.

3. Saif Al Shehhi

Saif Al Shehi will become Advisor to the Board.

A profile of Saif Al Shehi is set out above.

4. Khalaf Al Dhaheri

Khalaf Al Dhaheri will be appointed Group Chief Operating Officer with responsibility for Operations/IT and Human Resources.

A profile of Khalaf Al Dhaheri is as follows:

Mr. Khalaf Al Dhaheri joined the Bank in 1997 and held various positions prior to being appointed Secretary to Risk Management Committee in April 2003. He was appointed Deputy - General Manager & Chief Risk Officer in June 2006 and General Manager & Chief Risk Officer in August 2009.

Mr. Al Dhaheri was awarded a B.Sc. in Accounting from "U.A.E. University" in 1997 & Masters in Business Administration from "Zayed University" in 2005. He is a Certified Public Accountant effective May 2002 (California Board of Accountancy. U.S.A.). Mr. Al Dhaheri is also certified by Advanced Management Program (Ashridge - Hertfordshire, United Kingdom effective 2006).

CORPORATE GOVERNANCE

Corporate Governance

The Bank started implementing corporate governance rules in April 2006 to achieve high-quality administrative governance practices at the Bank. It has taken a number of actions in various areas of corporate governance practices and in the implementation of the Securities & Commodities Authority resolutions and the UAE Central Bank's relevant guidelines.

The Bank has further formed a Corporate Governance Committee to assist the Board of Directors in implementing and monitoring corporate governance policies and practices as well as to evaluate its compliance with existing policies.

Board Committees

The Board has formed several board committees as set out below.

Composition and function of the Board Committees

- Risk Management Committee

The main objective of the Risk Management Committee is to monitor the credit, operational and market risks, and to take credit decisions above management discretion and to determine market risk limits under which management can operate.

Chairman: H.E. Nasser Ahmed Alsowaidi

Member: H.E. Dr. Jauan Salem Al Dhaheri

Mr. Sultan Bin Rashed Al Dhaheri

Sheikh Ahmed Bin Mohammed Bin Sultan Al Dhaheri

Mr. Hashim Fawwaz Al Kudsi

- Compensation and Nomination Committee

The Compensation and Nomination Committee ("CNC") is mandated by the Board of Directors to appoint, promote, compensate, retire, discuss and plan the succession of the senior management of the Bank and its subsidiaries. The CNC also oversees the compensation policy of the Bank's staff. The CNC also supports the Human Resources Group in developing and retaining among the best professionals in the market and in Implementing the Bank's Emiratisation strategy.

Chairman: H.E. Mohammed Omar Abdulla

Member: Mr. Khalifa Sultan Al Suwaidi

Sheikh Mohammed Seif Mohammed Al Nahyan

Sheikh Ahmed Mohammed Sultan Al Dhaheri

Mr. David Beau

- Audit Committee

The Audit Committee reports directly to the Board of Directors.

The Audit Committee is responsible for establishing adequate formal and transparent disclosure arrangements for the fair and full presentation of the financial affairs of the Group, the adequacy and effectiveness of internal controls and maintaining an appropriate relationship with the Bank's external auditors.

The Audit Committee is authorised by the Board of Directors to review any activity within the business, to seek any information it requires from, and require attendance at any of its meetings of, any officer, or member of staff. All employees are required to co-operate with any request made by the committee. The Audit Committee is authorised by the Board to obtain, at the Bank's expense, outside legal or other independent professional advice with relevant experience and expertise as it considers necessary from time to time.

Chairman: Sheikh Mohammed Seif Mohammed Al Nahyan

Member: Mr. Khalifa Sultan Al Suwaidi

Mr. David Beau

Mr. Matar Hamdan Al Ameri

- Corporate Governance Committee

  The primary purpose of the Corporate Governance Committee is to assist the Board of Directors in shaping and monitoring corporate governance policies and practices as well as to evaluate compliance with existing policies.

  Chairman: H.E. Nasser Ahmed Khalifa Alsowaidi

  Member: H.E. Mohammed Omar Abdulla

  Mr. Khalifa Sultan Al Suwaidi

  Mr. Matar Hamdan Al Ameri

- Audit Committee

  Formed in 2001, its authorities and assignments were amended in 2006, and it was re-formed in 2009. The Committee comprises four board members of whom two are independent.

In addition to the Board **Committees**, there are a number of other Committees which assist the Chief Executive and his Direct Reports to ensure that adequate checks and balances are in place for the effective and efficient running of the Bank's business, for example, the Assets and Liabilities Committee, the Group Credit Committee and the Strategy Committee.

12. OVERVIEW OF THE UNITED ARAB EMIRATES

The information in this section has been extracted from publicly available documents from various sources and has not been prepared or verified independently by NBAD, the Lead Arranger or the Joint Lead Managers, or any of their respective affiliates or advisers. This is the latest available information to NBAD's knowledge.

Introduction

The UAE is a federation of seven emirates: Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain, Fujairah and Ras Al Khaimah (the "**Federation**"). Formerly known as the Trucial States, the emirates were a British protectorate until they achieved independence in December 1971 and merged to form the Federation. H.H. Sheikh Khalifa bin Zayed Al-Nahyan, Ruler of Abu Dhabi, has been President of the UAE since November 2004 and H.H. Sheikh Mohammed bin Rashid Al Maktoum, Ruler of Dubai, has been Prime Minister of the UAE since January 2006. The emirates enjoy significant autonomy and each has its own budget. The UAE's federal budget is funded by Abu Dhabi and Dubai, the two richest emirates.

Economy of the UAE

The UAE is the third largest economy in the GCC after the Kingdom of Saudi Arabia and the Islamic Republic of Iran. According to preliminary data from the Organization of the Petroleum Exporting Countries ("**OPEC**"), the UAE has approximately 6.7 per cent. of the world's proven global oil reserves (giving it the sixth largest oil reserves in the world), generating approximately 33.9 per cent of the UAE's GDP and approximately 49.7 per cent. of its export earnings in 2010. The UAE enjoys one of the highest GDPs per capita in the region. The UAE's GDP per capita based on purchase power parity was approximately U.S.$36,973 in 2008. Based on International Monetary Fund ("IMF") data extracted from the World Economic Outlook (April 2011), real GDP growth in the UAE increased by 3.2 per cent. in 2010 after having decreased by 3.2 per cent. in 2009. Since the middle of 2008 and reflecting the global financial crisis and sharp falls in international oil and gas prices, there have been significant declines in real estate sales prices and rental rates in the UAE as a whole and a slowdown in construction activity on certain announced projects in the UAE. The UAE's real GDP decrease in 2009 was primarily as a result of cuts in oil production and the slowdown in construction activity.

Although it has one of the most diversified economies in the GCC, the UAE's wealth remains largely based on oil and gas. Fluctuations in energy prices do have a bearing on economic growth, but the UAE is viewed as being less vulnerable than some of its GCC neighbors, due to the growth in the non-oil sector and the sizeable wealth of the Government of Abu Dhabi.

The UAE enjoys good relations with other states in the GCC and regional neighbours, however, the UAE does have a longstanding territorial dispute with the Islamic Republic of Iran over three islands in the Gulf and, as such, it is not immune to the political risks and volatility that have over-shadowed the region.

UAE Credit Ratings

On 23 April 2010, Moody's reaffirmed the UAE's long-term credit rating of Aa2 with a stable outlook.

Constitution, Governance and Judiciary of the UAE

UAE Constitution

The original constitution of the UAE (the "**Constitution**") was initially provisional and provided the legal framework for the federation. The Constitution was made permanent pursuant to a constitutional amendment in December 1996.

The Constitution apportions powers between the federal government (based in Abu Dhabi) and the governments of the constituent emirates. The federal government is entrusted with the task of promulgating substantive legislation concerning and regulating the principal and central aspects of the UAE. The local governments of each emirate are authorised to regulate local matters not confined to the federal government. Articles 120 and 121 of the Constitution specifically state that certain matters, such as foreign affairs, security and defence and public health must be governed by federal law. All other matters not specifically assigned to the exclusive jurisdiction of the federal government may be regulated by the local government of each emirate.

The Constitution also states that the Federation shall form a single economic and customs entity with free movement of capital and goods between the emirates. The natural resources and wealth in each emirate shall be considered to be the public property of that emirate.

Governance of the UAE

The governance of the UAE at the federal level is divided between the Federal Supreme Council (the "**Supreme Council**"), The Federal Council of Ministers (the "**Cabinet**") and The Federal National Council.

The Supreme Council is the highest federal governing body and consists of the rulers of the seven emirates. The Supreme Council elects from its own membership the President and the Vice President of the UAE (for renewable five year terms). HH Sheikh Zayed Bin Sultan Al-Nahyan, the late Ruler of Abu Dhabi, held the position of President from December 1971 until his death in November 2004. Following his death, his son HH Sheikh Khalifa Bin Zayed Al-Nahyan took over as Ruler of Abu Dhabi and has been elected as President of the UAE. Decisions relating to substantive matters are decided by a majority vote of five emirates, provided that the votes of both Dubai and Abu Dhabi are included in that majority, but matters which are purely procedural are decided by a simple majority vote. The Supreme Council is vested with legislative as well as executive powers. It ratifies federal laws and decrees and sets federal policies.

The Cabinet is described in the Constitution as the executive authority of the UAE and is responsible for implementing policy decisions of the Supreme Council. The Constitution defines the responsibilities of the Cabinet, which include the issuing of regulations, the preparation of draft laws and the drawing up of the annual federal budget. The Federal National Council is a parliamentary body and has both a legislative and supervisory role under the Constitution. One of the main duties of the Federal National Council is to discuss the annual budget of the UAE. Although the Federal National Council can monitor and debate government policy, it has no veto or amendment power and cannot initiate any legislation by itself.

Legal and Court System

There are three primary sources of law in the UAE, namely (i) federal laws and decrees (applicable in all seven emirates), (ii) local laws and decrees (i.e. laws and regulations enacted by the emirates individually), and (iii) the *Shari'a* (Islamic law). The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the Ruler or local government of each emirate can apply his or its own rules, regulations and practices.

The federal judiciary, whose independence is guaranteed under the Constitution, includes the Federal Supreme Court and Courts of First Instance. The Federal Supreme Court consists of five judges appointed by the Supreme Council. The judges decide on the constitutionality of federal laws and arbitrate on inter-emirate disputes and disputes between the federal government and individual emirates. In accordance with the Constitution, three of the seven emirates (Abu Dhabi, Dubai and Ras Al Khaimah) have elected to maintain their own court system, separate from that of the UAE, and these courts have sole jurisdiction to hear cases brought in the respective emirates. The judicial system in Dubai is comprised of (i) a Court of First Instance, (ii) a Court of Appeal and (iii) a Court of Cassation.

The Emirate of Abu Dhabi

Abu Dhabi is the richest and largest of the seven emirates and the city of Abu Dhabi is also the capital of the Federation. Considering this financial wealth, it may, in cases of need, bankroll the rest of the Federation. During his long presidency, the late HH Sheikh Zayed Bin Sultan Al-Nahyan oversaw massive investment in the infrastructure of the UAE which has transformed the country. Much of Abu Dhabi's wealth is now held in overseas assets by the Abu Dhabi Investment Authority ("**ADIA**"), the investment arm of the Abu Dhabi Government. In 2007, the Abu Dhabi Investment Council ("**ADIC**"), a sister institution to ADIA, was established for the purpose of investing government funds domestically and internationally. The management of official investment funds will be shared between ADIA and ADIC.

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ECONOMY OF ABU DHABI

Introduction

Abu Dhabi's hydrocarbon wealth, coupled with a small population, gives it one of the highest GDP per capita ratios in the world. In recent years, Abu Dhabi has produced approximately 2.5 million barrels of crude oil (including condensates) per day (**mb/d**) although current production rates are lower in line with OPEC quotas.

Since it first began exporting oil in the 1960s, Abu Dhabi has accumulated significant income from hydrocarbon exports much of which is invested by ADIA and ADIC. Since 2004, the government has also committed significant funds to Mubadala Development Company ("**MDC**"), which is wholly-owned by the government and commenced operations in 2004 as the business development and investment company to lead the government's economic development strategy. Income earned by ADIA, ADIC and MDC and investments made or disposed of by them are not included in the GDP, balance of payments or public finance statistical information published by Abu Dhabi or the UAE.

Abu Dhabi's long-term economic development strategy (as articulated most recently in the 2030 Economic Vision) envisages a process of diversification away from reliance on crude oil exports and includes substantial new investment in both the oil and gas sector as well as in a range of other industries and sectors listed in the 2030 Economic Vision.

In addition to a number of ongoing hydrocarbon projects, Abu Dhabi also intends to expand existing facilities and initiate new projects in the petrochemical area. The government, through MDC and other vehicles, is also making significant investments in international oil and gas assets, the aluminium and steel industries, the aerospace industry, alternative energy development, the development of healthcare and education facilities, in logistics, in financial and other services and information, communications and technology, among other sectors.

As part of its drive to promote tourism and real estate, the Abu Dhabi Tourism Authority ("**ADTA**"), through its development arm Tourism & Development Investment Corporation, is undertaking several large scale development projects. These projects will be served by an improved transport infrastructure, including an expanded airport. A new port, Khalifa Port, is under construction and its first phase is due to be completed in the fourth quarter of 2012. A rail link between Abu Dhabi and Dubai is planned for completion in 2016.

The Abu Dhabi government has also partially privatised its water and electricity utility services and has, through MDC, entered into a number of public private partnerships to construct new university facilities and intends to enter into further privatisation and public private partnerships in the future.

Gross Domestic Product

Abu Dhabi's nominal GDP in 2008, at AED 705.1 billion, equalled 60.9 per cent. of the nominal GDP for the UAE in the same year. In 2009 and 2010, the equivalent proportions were 53.9 per cent. and 56.7 per cent., respectively. Abu Dhabi's nominal GDP in 2010 was AED 620.3 million representing a 15.9 per cent. increase from the previous year.

The oil and gas industry dominates Abu Dhabi's economy and contributed approximately 49.7 per cent. to nominal GDP in 2010. Oil prices declined significantly in the second half of 2011.

The table below shows Abu Dhabi's nominal GDP and its percentage growth rate for each of the years indicated. No meaningful real GDP information is currently available for Abu Dhabi as a result of uncertainties surrounding the calculation of inflation for the emirate.

	2008	*2009*	*2010*

	(AED billions)		
Nominal GDP (current prices)....................................	705.1	535.3	620.3
Percentage change in nominal GDP...........................	29.3	24.1	15.9

Source: Department of Planning and Economy

Principal Sectors of the Economy

Abu Dhabi's GDP is dominated by the oil and gas sector which, together with other mining and quarrying activities, contributed approximately 58.5 per cent. of nominal GDP in 2008, approximately 44.6 per cent. in 2009 and approximately 49.7 per cent. in 2010. Outside the oil and gas sector, the principal contributors to nominal GDP in Abu Dhabi in each of 2008, 2009, 2010 and 2011 have been: manufacturing industries; construction; financial institutions and insurance; government services; real estate and business services; and wholesale and retail trade and repairing services which, together, accounted for around 36.0 per cent. of nominal GDP in 2008, around 48.1 per cent. in 2009, and around 43.9 per cent. in 2010.

In terms of growth, the fastest growing sectors between 2005 and 2010 were construction; public administration and defence; restaurants and hotels; real estate and business services; and the financial corporations sector with compound annual growth rates of 25.2 per cent., 17.6 per cent., 12.8 per cent., 15.8 per cent. and 13.9 per cent., respectively.

Excluding oil and gas which are treated as being under public ownership, the public sector is estimated to have accounted for approximately 3.7 per cent. of GDP in 2010. This proportion is forecast to continue to decline over time as the size of the public sector is reduced and the private sector is expanded as a result of privatisation, education and job creation initiatives in the private sector.

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13. The United Arab Emirates Banking Sector and Regulations

Summary

With 51 banks (comprised of 23 locally-incorporated banks and 28 foreign banks) serving a population estimated to be in the region of approximately 5 million, the UAE could be viewed as an over-banked market, even by regional standards. Whilst UAE banks continue to be profitable and generally free from asset quality problems, there is little impetus for consolidation. The UAE's membership in the WTO will require greater economic liberalisation, but it is unclear to what extent this will encourage foreign banks to expand their presence in the market. In the long-term, however, it is likely to lead to increased competition, which should spur consolidation, both within the UAE and across the region generally.

As a banking regulator, the UAE Central Bank, established in 1980, has grown in stature over the years and is the governing body that regulates and supervises all banks operating in the UAE. The UAE Central Bank monitors banks through its Banking Supervision Department. It conducts reviews of banks periodically based on the risk profile of each bank. It also reviews all of the returns submitted by the banks to the UAE Central Bank.

The UAE Central Bank does not act as a lender of last resort, a role which instead tends to fall on the individual Emirs of each Emirate.

Characteristics of the Banking System

Lack of Consolidation

Although the UAE may be seen as being over-banked with 51 different banks licensed to operate inside the UAE (excluding the Dubai International Financial Centre (the "**DIFC**")), most banks have traditionally shown healthy levels of profitability and maintained sound asset quality, meaning that there has been little impetus for consolidation. Mergers in the past have tended to come as a result of banks facing financial difficulties. The federal structure of the country has, to some extent, encouraged the fragmented nature of the banking sector, with the individual Emirates wishing to retain their own national banks. Rivalries between large local business families and a desire not to dilute shareholdings have also hampered the process of consolidation. However, in March 2007, it was announced that Emirates Bank International P.J.S.C. and National Bank of Dubai P.J.S.C would merge and the newly formed Emirates NBD offers greater competition across the region.

The relatively small size of most UAE banks has sometimes hindered them from competing for large financing deals in the region. It also means that they have comparatively small franchises with which to absorb capital costs, such as IT system development. The advent of WTO liberalisation should allow greater competition from foreign banks, both from new entrants to the market and from existing players expanding their operations, which may eventually result in more mergers, possibly even creating banks with pan-Gulf franchises.

Domestic Focus

The UAE incorporated banks are predominantly focused on the domestic market but a number have small operations overseas and are showing growing interest in cross border business.

With a large number of players chasing a limited number of wholesale lending opportunities, most banks have turned to retail banking, a previously untapped market. However, increasing competition in this area is gradually eroding margins and encouraging a relaxation of lending criteria.

Expansion of retail operations has required heavy investment in distribution channels, particularly ATM networks, kiosks and telephone and Internet banking services. As a consequence, IT costs have been a prominent feature of many banks' expenses.

Limited Foreign Ownership

In 1987, the Federal Government placed a freeze on new foreign banks opening operations in the UAE. At the same time, existing foreign banks were limited to a maximum of eight branches, which restricted their ability to develop any retail potential. However, three banks of GCC state origin, the National Bank of Kuwait, SAMBA and Doha Bank, have recently been awarded licences by the UAE Central Bank following an agreement to allow market access to banks of GCC state origin in line with continuing efforts in regional integration. The opening of the DIFC has enabled international banks to establish a presence and contest the wholesale banking market and this has seen new entities entering the market place.

Exposure to the Oil Sector

With much of the economy directly or indirectly dependent on the oil sector, UAE banks are potentially vulnerable to business erosion during long periods of low oil prices. In particular, oil revenues tend to drive levels of liquidity and government infrastructure investment. Gradually, however, private non-oil sectors are gaining ground and the UAE economy is becoming less susceptible to oil price movements.

Islamic Banking

Shariah (Islamic) law forbids the charging of interest on any financial transaction. A number of banks have developed in the Islamic world to serve customers who wish to observe this principle.

These institutions offer a range of products which, whilst broadly corresponding with conventional banking transactions, are structured in such a way as to avoid the application of interest. The UAE is home to numerous institutions offering Islamic banking and financial products. Such institutions include: Dubai Islamic Bank, Abu Dhabi Islamic Bank, Emirates Islamic Bank, Dubai Bank, Noor Islamic Bank, Sharjah Islamic Bank, Osool Finance and Amlak Finance. The number of Islamic banks continues to rise, with both new entrants to the market and existing conventional banks recasting themselves as Islamic banks. In addition, conventional financial institutions often offer Sharia-compliant products.

Legal Environment

There are three primary sources of law in the UAE: federal laws and decrees, local laws and Shariah (Islamic) law. In addition, Emiri decrees can be issued by the Rulers of each of the Emirates which, when issued, have full legal effect and operation in their respective Emirate. In the absence of federal legislation on areas specifically reserved to federal authority, the Ruler or local government will apply his or its own rules, regulations and practices.

Supervision of Banks

The main piece of legislation covering the banking system is Union Law No. 10 of 1980 (the ''**Union Law**'') which established the UAE Central Bank. The UAE Central Bank's primary roles are to formulate and implement banking, credit and monetary and fiscal policy and to be responsible for ensuring price and currency stability with free convertibility to foreign currencies. It is also the ''bank for banks'' within the UAE, although it is not the ''lender of last resort''. In the event of a bank experiencing financial difficulties or a solvency crisis, rescue funds – such as long-term liquidity or equity support – has historically come from the Emirate in which the institution is based. However, in the event of a run on the currency or a major banking crisis, it is likely the Government of Abu Dhabi would ultimately stand as de facto defender of the currency and the lender of last resort.

Historically, income from overseas investments has been used to fund fiscal deficits, obviating the need for the UAE Central Bank to issue government debt. However, the UAE Central Bank does issue certificates of deposit (''**CDs**'') to the banks, denominated in both U.S. dollars and UAE dirhams, in order to absorb excess liquidity rather than to meet a specific funding need. There is presently no active secondary market in these securities, but they can be redeemed at face value at the UAE Central Bank at any time and recently the UAE Central Bank introduced an auction system which allows U.S. dollars drawings against UAE dirhams CD holdings.

The UAE dirham is linked to the IMF's Special Drawing Right. However, the U.S. dollar is the intervention currency and, in reality, the UAE dirham is pegged to the U.S. dollar. This pegged exchange rate has been in place since the 1980s and has proved to be resilient both to political tensions in the region and to fluctuations in oil prices, however, with inflation gathering pace, there are suggestions that the currency should be revalued.

The UAE Central Bank is also responsible for regulating financial institutions in relation to money laundering controls and enforcing Federal Law No. 4 of 2002 regarding the criminalisation of money laundering. It has established an Anti-Money Laundering and Suspicious Case Unit which act as the Financial Intelligence Unit and has issued a number of detailed regulatory instructions in pursuit of anti-money laundering policies and procedures.

The UAE has also established a National Anti-Money Laundering Committee, which is responsible for coordinating anti-money laundering policy. The UAE further strengthened its legal authority to combat terrorism and terrorist financing, by passing Federal Law No. 1 of 2004 on Combating Terrorism Offences, which provided for the establishment of a National Anti-Terror Committee (the ''**NATC**''). The NATC serves as a UAE inter-agency liaison.

Although the UAE Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the UAE, the Dubai Financial Services Authority regulates all banking and financial services activities in the DIFC. The UAE Central Bank has also been growing in stature as a banking supervisor. However, it is hampered in its role by the level of legal autonomy afforded to the individual Emirates, which at times makes it difficult to enforce directives uniformly across the banking sector.

Lack of Developed Capital Markets

The absence of mature bond or equity markets in the UAE means that banks have tended to shoulder the burden of long-term financing. This has tended to create a maturity mismatch in their balance sheets, as most of their liabilities are short-term customer deposits. Although the two stock markets, the Dubai Financial Market and the ADX (both of which were established in 2000), have grown rapidly over recent years, such growth has been affected by the global financial crisis.

During 2002, the Government of Dubai issued a decree establishing the DIFC. The DIFC, located in the Emirate of Dubai, is a free trade zone and financial services centre focusing on private banking, asset management, investment banking, re-insurance activities, Islamic finance, securities trading and back office operations. The DIFC has its own civil and commercial laws and has been granted authority to self-legislate in civil and commercial cases. The NASDAQ Dubai (formerly known as the Dubai International Financial Exchange) is a securities exchange located in the DIFC which commenced operations on 26 September 2005. In December 2009, the Dubai Financial Market announced its intention to acquire the NASDAQ Dubai, and the acquisition was completed in July 2010.

Government Involvement

There is a high degree of state involvement in the UAE banking sector. Most of the larger banks have some degree of government ownership. Privatisation, though advocated in principle, has been slow to happen in practice. The state is also the banking sector's largest customer, in terms of both deposits and project financing.

Expatriate Workforce

An unusual feature of the UAE economy is its reliance on overseas labour, with expatriates making up more than 80 per cent. of the workforce. The banking sector is no exception to this and expatriates are represented in the senior management of most of the major banks. This has brought expertise from more developed markets to the sector. The high level of expatriates in the country has been an increasing concern to the UAE Federal Government and as part of a policy of ''Emiratisation'' banks were instructed, in 1999, to increase UAE nationals on their payroll to 40 per cent. by 2009. Generally, banks have been moving closer to, or have met, this target by providing better training and compensation for UAE nationals.

Accounting Standards

Since 1 January 1999 all UAE banks have been required to prepare their financial statements in accordance with International Financial Reporting Standards (**IFRS**) (formerly International Accounting Standards (**IAS**)). Although this has led to a substantial improvement in disclosure standards, there remains some variability in the quality and depth of disclosure across the banking sector. Basel II was introduced effective as from 1 January 2008.

Structure of the Banking System

Banking institutions in the UAE fall into a number of categories, as defined by the Union Law. Domestic commercial banks, also known as ''National'' banks, of which there are currently 23, are required to be public shareholding companies with a minimum share capital of AED 40 million and must be majority owned by UAE nationals. Licensed foreign banks, of which there are currently 28, need to demonstrate that at least AED 40 million has been allocated as capital funds for their operations in the UAE. The Union Law also licenses ''financial institutions'' (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable property and other activities, but are not permitted to accept funds by way of deposits) and financial and monetary intermediaries (money and stockbrokers).

Recent Trends in Banking

Profitability

The performance of the UAE economy is influenced by oil prices, which directly affect fiscal revenues and hence determine the level of investment in government projects in the country. The high oil prices and strong economic conditions experienced in the UAE in recent years have allowed UAE banks to expand significantly.

However, the UAE economy has been negatively impacted by the global economic downturn and, in particular, by the sharp correction in the price of oil, which has also affected a number of key economic sectors including trade, tourism, real estate and commerce. This economic slowdown, along with reduced levels of liquidity in the market, which has constrained lending, has resulted in the majority of UAE banks being less profitable during 2008 - 2010 than in previous years.

Also, the focus of the growth between 2004 and 2004 on equity financing represented a risk to the UAE banking system. Equity prices declined generally in the UAE in 2008 but, more recently, have rebounded with the Abu Dhabi Securities Exchange's Abu Dhabi index declining from 2,743.6 at 31 December 2009 to 2,719.9 at 31 December 2010 and to 2,402.28 at 31 December 2011 before increasing to 2,611.13 at 29 February 2012, and the Dubai Financial Market index declining from 1,803.6 at 31 December 2009 to 1,630.5 at 31 December 2010 and to 1,353.4 at 31 December 2011 before increasing to 1,648.9 at 31 March 2012. During 2008 - 2010, a number of banks have also been affected by the impact of mark to market accounting rules on their international investment portfolios. However, return on equity for most UAE banks compares well internationally, reflecting the high margins that can be earned, particularly on retail lending and low cost income ratios.

In addition, towards the end of 2008, rents and property values fell significantly. This is expected to put pressure on the asset quality and profitability of banks going forward. These factors may adversely impact the UAE banking sector during 2011 and in later years.

Liquidity

The UAE Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have adequate systems and controls to manage their liquidity positions, as well as contingency plans to cope with periods of liquidity stress.

Banks must also adhere to a maximum loan deposit ratio of 100 per cent. set by the UAE Central Bank. In this context, loans comprise loans and advances to customers and interbank assets maturing after three months.

UAE banks are mostly funded through on demand or time-based customer deposits made by private individuals or private sector companies. Together, these deposits constituted approximately 64.6 per cent. of total deposits of the UAE banking sector as at 31 December 2011. The UAE Federal Government and the public sector contributed approximately 22.6 per cent. as at 31 December 2011. The UAE Federal Government and the public sector contributed approximately 22.6 per cent. as at 31 December 2011. Non-resident and other sources contributed approximately 12.8 per cent. of total deposits as at the same date.

In response to the global financial crisis, the UAE Central Bank has announced a number of measures aimed at ensuring that adequate liquidity is available to banks operating in the UAE. In September 2008, the UAE Central Bank established an AED 50 billion liquidity facility which banks can draw upon subject to posting eligible debt securities as collateral. The liquidity facility is available only for the purpose of funding existing commitments. New lending is required to be based on growth in the customer deposit base. The UAE Central Bank also established a CD repo facility under which banks can use CDs as collateral for dirham or U.S. dollar funding from the UAE Central Bank.

In addition to these measures, the UAE Federal Government also provided AED 50 billion in deposits to UAE banks (as part of a larger AED 70 billion package) which, at the option of the banks, can be converted into Tier 2 capital in order to enhance capital adequacy ratios. A number of banks in the UAE have announced that they will convert the UAE Federal Government deposits made with them into Tier 2 capital.

During 2008, Abu Dhabi government-owned institutions assisted certain Abu Dhabi banks in strengthening their capital base through the subscription of mandatory convertible securities and, in February 2009, the Abu Dhabi Government (acting through the Department of Finance) subscribed, in aggregate, a sum of AED 16 billion in subordinated Tier I Capital Notes issued by the five largest Abu Dhabi banks: National Bank of Abu Dhabi, Abu Dhabi Commercial Bank, FGB, Union National Bank and Abu Dhabi Islamic Bank.

A press statement issued by the Department of Finance of the Government of Dubai on 25 February 2009 announced that it had established a U.S.$20 billion funding programme and that the first tranche, valued at U.S.$10 billion with a five year tenure and paying a coupon rate of four per cent. per annum, had been issued in its entirety to the UAE Central Bank. In November 2009, the Department of Finance of the Government of Dubai announced a second U.S.$5 billion tranche that was fully subscribed equally by the National Bank of Abu Dhabi and Al Hilal Bank.

Certain mortgage companies based in the UAE have also experienced significant liquidity issues in recent months and plans are being formulated to support these institutions.

Position of Depositors

There is no formal deposit protection scheme in the UAE. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s a number were restructured by the authorities. In October 2008, in response to the global financial crisis, the UAE Federal Government announced that it intended to guarantee the deposits of all UAE banks and foreign banks with core operations in the UAE. Following therefrom, in May 2009, however, the UAE's National Federal Council approved a draft law guaranteeing federal deposits; until such time as the law is passed, there is no guaranteed government liquidity support.

Prudential Regulations

The UAE Central Bank has supervisory responsibility for banking institutions in the UAE. Supervision is carried out through on-site inspections and review of periodic submissions from the banks. The frequency of inspection depends on the perceived risk of the bank, but inspections are carried out in all banks at least once every 18 months. Prudential returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they contain. An improved risk management framework has been implemented, aimed at providing the UAE Central Bank with more up to date information on credit, market and operational risks within the banking sector.

Capital Adequacy

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Since 1993, the UAE Central Bank has imposed a 10 per cent. minimum total capital ratio. In a circular dated 30 August 2009, the Central Bank announced amendments to its capital adequacy requirements stating that UAE banks were required to have total capital adequacy ratios of at least 11 per cent., with a Tier I ratio of not less than 7 per cent., by 30 September 2009 and at least 12 per cent., with a Tier I ratio of not less than 8 per cent., by 30 June 2010. The circular stated that the new requirements, which were effective on 31 August 2009, apply to national and foreign banks and will be reviewed at the start of 2011. As at the date of this Base Prospectus, no further developments have been announced. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions are deducted from regulatory capital. GCC sovereign debt is risk-weighted at zero per cent.

Whilst the calculation of capital adequacy ratios in the UAE follows the Bank of International Settlements guidelines, claims on or guaranteed by GCC central governments and central banks are risk-weighted at zero per cent. and claims on GCC government non-commercial public sector entities are risk-weighted at

50 per cent.Under the Union Law, banks are required to transfer 10 per cent. of profit each year into a statutory reserve until this reaches 50 per cent. of capital. Distributions cannot be made from this reserve, except in special legally defined circumstances. All dividends paid by UAE banks have to be authorised in advance by the UAE Central Bank.

Reserve Requirements

Reserve requirements are used by the UAE Central Bank as a means of prudential supervision and to control credit expansion. The reserve requirements are 1 per cent. for term deposits and 14 per cent. for all other customer balances.

Credit Controls

Banks are required to establish credit policies and procedures commensurate with their size and activities. They must also have a proper credit assessment and approval process and adequate controls in place to monitor credit concentrations to, among others, individual borrowers, economic sectors and foreign countries. The UAE Central Bank defines large exposures as any funded on-or-off balance sheet exposure to a single borrower or group of related borrowers exceeding prescribed limits. The large exposure limits (defined as a percentage of the bank's capital base) are as follows:

- to a single borrower or group of borrowers – 7 per cent.;
- to a shareholder of the bank holding more than 5 per cent. of the bank's capital – 7 per cent.;
- overseas interbank exposures – 30 per cent. (UAE interbank exposures are subject to a 25 per cent. limit if their maturity is over one year, otherwise they are exempt from the regulations);
- to the bank's parent company, subsidiaries or affiliates – 20 per cent. (60 per cent. for all such exposures in aggregate); and
- to Board members – 5 per cent. (25 per cent. in aggregate).

Exposures above these limits are subject to UAE Central Bank approval. Exposures to the government and sovereign risk are exempt from the regulations.

In addition, the following UAE Central Bank lending limits also require that:

- no commercial bank can hold shares or bonds issued by commercial companies in excess of 25 per cent. of the bank's own funds; and
- no bank is permitted to grant loans or advances for the purpose of funding commercial or residential real estate construction in an amount exceeding 20 per cent. of its total deposits, unless it has prior authorisation from the UAE Central Bank as an institution specialising in this type of business.

In a circular dated 23 February 2011 on retail banking, the Central Bank introduced regulations regarding bank loans and other services offered to individual customers. The regulations, among other things, limit the fees and interest rates which banks in the UAE can charge to retail customers and impose maximum loan/income and loan to value ratios for retail products. For example, the regulations require that the amount of any personal consumer loan shall not exceed 20 times the salary or total income of the borrower and that the repayment method must not exceed 48 months.

On 4 April 2012, the UAE Central Bank issued an updated version of Circular Number 16/93 (Concerning Monitoring of Large Exposure Limits). This introduced a number of amendments, including changes to the large exposure limit rules for commercial banks as well as new caps for loans made to the local governments of the 7 emirates and their related entities. The regulator set new limits of 100 per cent. and 25 per cent. of the capital base of UAE banks for all lending by such banks to governments and their non-commercial entities and to individual borrowers respectively. No such limits existed before. The capital base of a bank is the same as that used for capital adequacy purposes. A range of other borrowing limits, including those for commercial government-related entities, have also been adjusted by the Circular.

Provisions for Loan Losses

The UAE Central Bank stipulates that non-performing credits should be classified as either substandard, doubtful or loss depending on the likelihood of recovery, with provisions charged at a minimum of 25 per cent., 50 per cent. and 100 per cent., respectively. Any loans with either interest or principal in arrears by more than 180 days must be placed on a non-accrual basis and classified as non-performing. In addition, the banks should build up general provisions equal to 1.5 per cent. of risk weighted assets over a period of 4 years, up from the previous requirement of 1.25 per cent. In practice, several banks operate more stringent policies and place loans on a nonaccrual basis as soon as their recovery is in doubt.

Banks in the UAE generally do not write off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans carried on the balance sheets of UAE banks when compared to banks operating in other economies.

The UAE is a federation of seven emirates. Formerly known as the Trucial States, the emirates were a British protectorate until they achieved independence in December 1971 and merged to form the federation of United Arab Emirates. Each emirate has a local government headed by the Ruler of the emirate. There is a federal government which is headed by the President. Each emirate enjoys significant autonomy and has its own budget. The UAE's federal budget is funded by the two richest emirates–Abu Dhabi and Dubai.

Abu Dhabi is the richest and largest of the seven emirates and the city of Abu Dhabi is also the capital of the federation. Considering this financial wealth, it may, in cases of need, bankroll the rest of the federation. During his long presidency, the late HH Sheikh Zayed Bin Sultan Al-Nahyan oversaw massive investment in the infrastructure of the UAE which has transformed the country. Much of Abu Dhabi's wealth is now held in overseas assets by the Abu Dhabi Investment Authority ("**ADIA**"), the investment arm of the Abu Dhabi Government. In 2007, the Abu Dhabi Investment Council ("**ADIC**"), a sister institution to ADIA, was established for the purpose of investing government funds domestically and internationally. The management of official investment funds will be shared between ADIA and ADIC.

The federation is governed by the Supreme Council of the Rulers which consists of the Rulers of the seven emirates. The Supreme Council elects from its own membership the President and the Vice President (for estimated renewable five year terms). HH Sheikh Zayed Bin Sultan Al-Nahyan, the late Ruler of Abu Dhabi, held the position of President from 1971 until his death in November 2004. Following his death, his son HH Sheikh Khalifa Bin Zayed Al-Nahyan took over as Ruler of Abu Dhabi and has been elected as President of the UAE.

The UAE has the second largest economy in the Arab world after Saudi Arabia. Though it has a more diversified economy than most of the other countries in the gulf co-operation council ("**GCC**") region, its wealth is largely based on oil and gas. The UAE has approximately 10 per cent. of proven global oil reserves, which generate approximately one-third of the UAE's gross domestic product ("**GDP**") and approximately one-half of export earnings. Abu Dhabi and Dubai contribute around 80 per cent. to the UAE's GDP. Abu Dhabi has a per capita income of approximately US$63,000.

The performance of the UAE economy during 2007 was strong. The GDP is estimated to have reached U.S.$190 billion in 2007, a growth of 16.5 per cent. from 2006. Real GDP growth was estimated at 7.6 per cent. in 2007, with oil production rising and non-oil sectors growing at double-digit growth rates (the non-oil sector growth has been running in excess of 10 per cent. per annum on average during the last five years). The expansion in the UAE's economy is supported by an outward-oriented development strategy, a favourable business climate and sustained high oil prices. In addition to record oil prices, the major contribution to the GDP growth has been from the construction, manufacturing, tourism and service sectors and despite the decline in stock market indices through most of 2006, domestic markets showed renewed strength in 2007 attributed to attractive valuations, low correlation with global equities, and positive prospects for the domestic economy and the overall impact of the market correction has been very limited.

The UAE enjoys good relations with other states in the GCC and regional neighbours, however, it is not immune to the political risks and volatility that have over-shadowed the region, particularly in the last few years.

Approximately 70 per cent. of the UAE's fiscal revenues are derived from oil, making government finances vulnerable to fluctuations in oil prices. The consolidated budget balance is estimated to have run surpluses since 2002, steadily rising with global oil prices. The consolidated budget surplus, as a proportion of GDP, was estimated at 28.8 per cent. of GDP in 2006, up from 20.3 per cent. in 2005. The use of oil revenues to accumulate a large stock of overseas assets has been a long-running policy and, in 2006, capital outflows attributed to public institutions (for instance, ADIA) stood at U.S.$40 billion, up from U.S.$30 billion in 2005. With high oil prices and strong performance of non-oil exports, the external current account surplus increased to close to U.S.$36 billion, or 22 per cent. of GDP. Capital account movements continued to mirror the large build-up of official foreign assets by ADIA. Gross official reserves at the Central Bank increased in 2006 to U.S.$27.9 billion.

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14. FINANCIAL SECTION

The accounts of NBAD are prepared in accordance with the International Financial Reporting Standards.

Its financial statements for the year ended 31 December 2010 and 31 December 2011 and the quarter ended 31 March 2012 are attached.

National Bank of Abu Dhabi PJSC

Consolidated financial statements

31 December 2011

National Bank of Abu Dhabi PJSC

Consolidated financial statements

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Independent Auditors' Report

The Shareholders
National Bank of Abu Dhabi

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Bank of Abu Dhabi PJSC (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and in compliance with the relevant Articles of Association of the Bank and the UAE Federal law No: 8 of 1984 (as amended), and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the relevant Articles of Association of the Bank and the UAE Federal Law No: 8 of 1984 (as amended).

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Law No: 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Group and that the contents of the Chairman's report which relate to these consolidated financial statements are in agreement with the Group's financial records. We are not aware of any violation of the above mentioned Law and Articles of Association having occurred during the year ended 31 December 2011 which may have had a material adverse effect on the business of the Group or its financial position.

KPMG
Munther Dajani
Registration No. 268

31 January 2012

National Bank of Abu Dhabi PJSC

Consolidated statement of financial position

As at 31 December

	Note	2011 AED'000	2010 AED'000
Assets			
Cash and balances with central banks	7	**24,468,641**	18,429,827
Investments at fair value through profit or loss	8	**1,610,745**	1,292,826
Due from banks and financial institutions	9	**15,166,763**	14,764,757
Reverse repurchase agreements	10	**16,425,020**	10,898,457
Loans and advances	11	**159,522,178**	136,833,496
Non-trading investments	12	**26,569,340**	21,396,005
Other assets	13	**9,689,058**	5,601,350
Property and equipment	14	**2,215,760**	2,210,552
Total assets		**255,667,505**	211,427,270
Liabilities			
Due to banks and financial institutions	15	**39,795,601**	31,551,346
Repurchase agreements	16	**3,513,726**	2,542,896
Euro commercial paper	17	**-**	35,053
Customers' deposits	18	**151,816,887**	123,130,589
Medium-term borrowings	19	**15,148,516**	14,458,665
Other liabilities	20	**11,013,236**	7,283,019
		221,287,966	179,001,568
Subordinated notes	21	**7,990,054**	8,312,286
Total liabilities		**229,278,020**	187,313,854
Equity			
Share capital	22	**2,870,043**	2,391,703
Statutory and special reserves	22	**3,563,274**	3,324,105
Other reserves	22	**11,466,410**	10,089,739
Government of Abu Dhabi tier 1 capital notes	23	**4,000,000**	4,000,000
Share option scheme	24	**76,497**	52,739
Subordinated convertible notes - equity component	21	**27,639**	74,925
Retained earnings		**4,385,622**	4,180,205
Total equity		**26,389,485**	24,113,416
Total liabilities and equity		**255,667,505**	211,427,270

Nasser Ahmed Khalifa Alsowaidi
Chairman

Michael Tomalin
Group Chief Executive

The notes 1 to 44 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 2.

National Bank of Abu Dhabi PJSC

Consolidated income statement

For the year ended 31 December

	Note	**2011 AED'000**	2010 AED'000
Interest income	*25*	**7,651,786**	7,146,858
Interest expense	*26*	**(2,156,538)**	(2,129,245)
Net interest income		**5,495,248**	5,017,613
Income from Islamic financing contracts	*27*	**362,811**	283,225
Depositors' share of profits	*28*	**(55,165)**	(51,998)
Net income from Islamic financing contracts		**307,646**	231,227
Net interest and Islamic financing income		**5,802,894**	5,248,840
Fee and commission income		**1,635,945**	1,460,578
Fee and commission expense		**(245,126)**	(176,527)
Net fee and commission income	*29*	**1,390,819**	1,284,051
Net gain on investments	*30*	**93,540**	301,220
Net foreign exchange gain	*31*	**522,231**	273,891
Other operating income	*32*	**71,378**	70,532
		687,149	645,643
Operating income		**7,880,862**	7,178,534
General, administration and other operating expenses	*33*	**(2,563,724)**	(2,186,002)
Profit before net impairment charge and taxation		**5,317,138**	4,992,532
Net impairment charge	*34*	**(1,498,555)**	(1,206,771)
Profit before taxation		**3,818,583**	3,785,761
Overseas income tax expense	*35*	**(111,036)**	(102,602)
Net profit for the year		**3,707,547**	3,683,159
Basic earnings per share (AED)	*41*	**1.21**	1.20
Diluted earnings per share (AED)	*41*	**1.19**	1.16

The notes 1 to 44 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 2.

National Bank of Abu Dhabi PJSC

Consolidated statement of comprehensive income
For the year ended 31 December

	Note	**2011 AED'000**	2010 AED'000
Net profit for the year		**3,707,547**	3,683,159
Other comprehensive income			
Exchange difference on translation of foreign operations		**(1,193)**	(9,340)
Change in the fair value reserve	*22*	**(484,408)**	430,617
Directors' remuneration		**(5,450)**	(4,950)
Buy back of subordinated convertible notes	*21*	**8,188**	1,726
Other comprehensive (expenses) / income for the year		**(482,863)**	418,053
Total comprehensive income for the year		**3,224,684**	4,101,212

The notes 1 to 44 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 2.

National Bank of Abu Dhabi PJSC

Consolidated statement of changes in equity

For the year ended 31 December

	Share capital AED'000	Statutory reserve AED'000	Special reserve AED'000	General reserve AED'000	Government of Abu Dhabi Tier 1 capital notes AED'000	Share option scheme AED'000	Fair value reserve AED'000	Foreign currency translation reserve AED'000	Subordinated convertible notes - equity component AED'000	Retained earnings AED'000	Total AED'000
Balance at 31 December 2009	2,174,275	1,087,138	2,128,253	8,623,500	4,000,000	18,888	(845,223)	5,887	79,712	3,168,138	20,440,568
Total comprehensive income for the year	-	-	-	1,726	-	-	430,617	(9,340)	-	3,678,209	4,101,212
Buy back of subordinated convertible notes *(note 21)*	-	-	-	-	-	-	-	-	(4,787)	-	(4,787)
Options granted to staff *(note 24)*	-	-	-	-	-	33,851	-	-	-	-	33,851
Dividends paid for 2009 *(note 22)*	-	-	-	-	-	-	-	-	-	(217,428)	(217,428)
Bonus shares issued *(note 22)*	217,428	-	-	(217,428)	-	-	-	-	-	-	-
Payment on Tier 1 capital notes *(note 23)*	-	-	-	-	-	-	-	-	-	(240,000)	(240,000)
Transfer to statutory reserve *(note 22)*	-	108,714	-	-	-	-	-	-	-	(108,714)	-
Transfer to general reserve *(note 22)*	-	-	-	2,100,000	-	-	-	-	-	(2,100,000)	-
Balance at 31 December 2010	**2,391,703**	**1,195,852**	**2,128,253**	**10,507,798**	**4,000,000**	**52,739**	**(414,606)**	**(3,453)**	**74,925**	**4,180,205**	**24,113,416**
Total comprehensive income for the year	-	-	-	8,188	-	-	(484,408)	(1,193)	-	3,702,097	3,224,684
Buy back of subordinated convertible notes *(note 21)*	-	-	-	-	-	-	-	-	(14,862)	-	(14,862)
Options granted to staff *(note 24)*	-	-	-	-	-	23,758	-	-	-	-	23,758
Dividends paid for 2010 *(note 22)*	-	-	-	-	-	-	-	-	-	(717,511)	(717,511)
Bonus shares issued *(note 22)*	478,340	-	-	(478,340)	-	-	-	-	-	-	-
Payment on Tier 1 capital notes *(note 23)*	-	-	-	-	-	-	-	-	-	(240,000)	(240,000)
Transfer to statutory reserve *(note 22)*	-	239,169	-	-	-	-	-	-	-	(239,169)	-
Transfer to general reserve *(note 21, 22)*	-	-	-	2,332,424	-	-	-	-	(32,424)	(2,300,000)	-
Balance at 31 December 2011	**2,870,043**	**1,435,021**	**2,128,253**	**12,370,070**	**4,000,000**	**76,497**	**(899,014)**	**(4,646)**	**27,639**	**4,385,622**	**26,389,485**

The notes 1 to 44 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 2.

National Bank of Abu Dhabi PJSC

Consolidated statement of cash flows
For the year ended 31 December

	Note	**2011 AED'000**	2010 AED'000
Cash flows from operating activities			
Profit before taxation		**3,818,583**	3,785,761
Adjustments for:			
Depreciation	*14*	**157,277**	121,144
Accreted interest		**51,022**	11,130
Profit on buyback of subordinated debt	*21*	**(33,090)**	(26,669)
Write-offs and impairment charge	*34*	**1,897,920**	1,457,453
Foreign currency translation adjustment		**(34,209)**	(101,560)
Share option scheme		**23,758**	33,851
Write back of provisions for loans and advances	*34*	**(268,939)**	(199,405)
		5,612,322	5,081,705
Change in investments at fair value through profit or loss		**(317,919)**	(214,758)
Change in due from central banks, banks and financial institutions		**2,572,179**	(2,257,640)
Change in reverse repurchase agreements		**(5,526,563)**	(10,341,382)
Change in loans and advances		**(24,144,997)**	(5,701,673)
Change in other assets		**(3,942,114)**	(1,063,769)
Change in due to banks and financial institutions		**8,244,255**	774,683
Change in repurchase agreements		**970,830**	(27,393)
Change in customers' deposits		**28,686,298**	7,530,347
Change in other liabilities		**4,001,875**	1,698,038
		16,156,166	(4,521,842)
Overseas income tax paid, net of recoveries		**(101,232)**	(96,783)
Net cash from / (used in) operating activities		**16,054,934**	(4,618,625)
Cash flows from investing activities			
Purchase of non-trading investments		**(11,881,095)**	(9,489,972)
Proceeds from sale/maturity of non-trading investments		**6,207,254**	7,475,152
Purchase of premises and equipment, net of disposals		**(321,858)**	(360,852)
Net cash used in investing activities		**(5,995,699)**	(2,375,672)
Cash flows from financing activities			
Net movement of Euro commercial paper	*17*	**(35,053)**	(140,168)
Issue of medium term borrowings		**537,662**	5,128,037
Repayment of medium term borrowings		**-**	(4,022,274)
Buy back of subordinated notes		**(591,335)**	(154,478)
Dividends paid	*22*	**(717,511)**	(217,428)
Payment on Tier I capital notes	*23*	**(240,000)**	(240,000)
Net cash (used in) / from financing activities		**(1,046,237)**	353,689
Net increase / (decrease) in cash and cash equivalents		**9,012,998**	(6,640,608)
Cash and cash equivalents at 1 January		**20,976,579**	27,617,187
Cash and cash equivalents at 31 December	*36*	**29,989,577**	20,976,579

The notes 1 to 44 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 2.

1 Legal status and principal activities

National Bank of Abu Dhabi PJSC (the "Bank") was established in Abu Dhabi in 1968 with limited liability and is registered as a Public Joint Stock Company in accordance with the United Arab Emirates Federal Law No. 8 of 1984 (as amended) relating to Commercial Companies.

Its registered office address is P. O. Box 4, Abu Dhabi, United Arab Emirates. The consolidated financial statements as at and for the year ended 31 December 2011 comprise the Bank and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in corporate, retail, private and investment banking activities, Islamic banking activities; and carries out its operations through its local and overseas branches, subsidiaries and representative offices located in United Arab Emirates, Bahrain, Egypt, France, Oman, Kuwait, Sudan, Libya, the United Kingdom, Switzerland, Hong Kong, Jordan, Malaysia and the United States of America.

The Group's Islamic banking activities are conducted in accordance with Islamic Sharia'a laws issued by the Sharia'a Supervisory Board.

The consolidated financial statements were authorised for issue by the Board of Directors on 31 January 2012.

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and the requirements of UAE Federal Law No. 8 of 1984 (as amended).

(b) Basis of measurement

The consolidated financial statements are prepared under the historical cost basis except for the following:

- derivative financial instruments are measured at fair value;
- investments at fair value through profit or loss are measured at fair value;
- non-trading investments classified as available for sale are measured at fair value;
- the carrying values of recognised assets and liabilities that are hedged items in fair value and cash flow hedges, and are otherwise carried at amortised cost, are adjusted to record changes in fair values attributable to risks that are being hedged; and
- non-financial assets acquired in settlement of loans and advances are measured at the lower of their fair value less costs to sell and the carrying amount of the loan and advances.

2 Basis of preparation *(continued)*

(c) Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Bank's functional currency. Items included in the financial statements of each of the Bank's overseas subsidiaries and branches are measured using the currency of the primary economic environment in which they operate. Except as indicated, information presented in AED has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in note 5.

(e) Changes in accounting policies

IAS 24 – "Related party disclosures" (revised 2009) supersedes the IAS 24, "Related party disclosures" issued in 2003. The revised standard is effective for periods beginning on or after 1 January 2011 and has been applied by the Group in the Group's consolidated financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3 Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

(i) Subsidiaries (continued)

The consolidated financial statements of the Group comprise the Bank and its subsidiaries as listed below:

	Country of incorporation
Abu Dhabi International Bank Inc.	Curacao, Netherlands Antilles
Abu Dhabi Financial Services LLC	Abu Dhabi, United Arab Emirates
Abu Dhabi National Leasing LLC	Abu Dhabi, United Arab Emirates
Abu Dhabi National Properties PrJC	Abu Dhabi, United Arab Emirates
NBAD Trust Company (Jersey) Limited	Jersey, Channel Islands
NBAD Private Bank (Suisse) SA	Geneva, Switzerland
Abu Dhabi National Islamic Finance Company	Abu Dhabi, United Arab Emirates
Ample China Holding Limited	Hong Kong, China
Abu Dhabi Brokerage Egypt	Egypt

(ii) Special purpose entities

Special purpose entities are entities that are created to accomplish a narrow and well defined objective. The financial statements of special purpose entities are not included in the Group's consolidated financial statements except when the substance of the relationship is that the Group controls the special purpose entity. Information about the Group's special purpose entities is set out in note 43.

(iii) Fund management

The Group manages and administers assets held in trust or in fiduciary capacity on behalf of investors. The financial statements of these funds are not included in these consolidated financial statements except when the Group controls the entity. Information about the Group's fund management and fiduciary activity is set out in note 42.

(iv) Transactions eliminated on consolidation

The carrying amount of the Bank's investment in each subsidiary and the equity of each subsidiary is eliminated on consolidation. All significant intra-group balances, and unrealised income and expenses arising from intra-group transactions are eliminated on consolidation.

(b) Financial assets and liabilities

(i) Recognition

The Group initially recognises loans and advances, customers' deposits, medium term and subordinated debt on the date that they are originated. All other financial assets and liabilities are initially recognised on the statement of financial position when, the Group becomes a party to the contractual provisions of the instrument.

All *regular way* purchases and sales of financial assets are recognised on the settlement date, i.e. the date the asset is delivered to or received from the counterparty. *Regular way* purchases or sales of financial assets are those that require delivery of assets within the time frame generally established by regulation or convention in the market place.

3 Significant accounting policies *(continued)*

(b) Financial assets and liabilities *(continued)*

(ii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such transactions, the transferred assets are not derecognised from the consolidated statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include repurchase transactions *(note 16).*

The Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible *(note 4).*

(iii) Designation at fair value through profit or loss

The Group has designated financial assets and liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

(iv) Held for trading

Trading assets are those assets that the group acquires for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit taking.

Trading assets are initially recognised and subsequently measured at fair value in the consolidated statement of financial position with transaction costs taken directly to the consolidated income statement. All changes in fair value are recognised as part of net trading income in the consolidated income statement. Trading assets are not reclassified subsequent to their initial recognition.

(v) Designation as available for sale and held-to-maturity

The Group has non-derivative financial assets designated as available for sale when these are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss, available for sale or those meet the definition of loans and advances.

3 Significant accounting policies *(continued)*

(b) Financial assets and liabilities *(continued)*

(vi) Offsetting

Financial assets and liabilities are set off and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(vii) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(viii) Fair value measurement

The determination of fair values of financial assets and liabilities is based on quoted market prices or dealer quotations for financial instruments traded in active markets. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. Quoted bid prices are used for financial assets and quoted ask prices are used for financial liabilities.

For financial instruments not traded on an active market, fair value is determined based on recent transactions, brokers' quotes or a widely recognised valuation technique.

Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

3 Significant accounting policies *(continued)*

(b) Financial assets and liabilities *(continued)*

(ix) Identification and measurement of impairment

An assessment is made at each reporting date and periodically during the year to determine whether there is any objective evidence that financial assets not carried at fair value through profit or loss, are impaired. Financial assets are impaired when objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment at both specific and collective level. All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on financial assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated cash flows discounted at the original effective interest rate. Impairment losses are recognised in the consolidated income statement and reflected in an allowance account against such financial assets. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated income statement.

3 Significant accounting policies *(continued)*

(b) Financial assets and liabilities *(continued)*

(ix) Identification and measurement of impairment (continued)

Impairment losses on available for sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of other comprehensive income to the consolidated income statement. When a subsequent event causes the amount of impairment loss on available-for-sale debt security to decrease, the impairment loss is reversed through the consolidated income statement.

Impairment losses on an unquoted equity instrument that is carried at cost because its fair value cannot be reliably measured, is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(c) Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash, balances with central banks and due from banks with original maturities of less than three months, which are subject to insignificant risk of changes in fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

(d) Investments at fair value through profit or loss

These are financial assets classified as held for trading or designated as such upon initial recognition. These are initially recognised and subsequently measured at fair value with transaction costs taken directly to the consolidated income statement. All related realised and unrealised gains or losses are included in net investment income.

(e) Due from banks

These are stated at amortised cost, less any allowance for impairment.

(f) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

These are initially measured at fair value (being the transaction price at inception) plus incremental direct transaction costs and subsequently measured at amortised cost using the effective interest method, adjusted for effective fair value hedges, net of interest suspended and provisions for impairment.

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances. In determining of whether an arrangement is a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the assets.

3 Significant accounting policies *(continued)*

(g) Islamic financing and investing contracts

(i) Definitions

Ijara
Ijara consists of Ijara muntahia bitamleek.

Ijara muntahia bitamleek is an agreement whereby the Group (the lessor) conveys to the customer (the lessee), in return for a specific rent, the right to use a specific asset for a specific period of time, against payment of fixed periodical and variable rental. Under this agreement, the Group purchases or constructs the asset and rents it to the customer. The contract specifies the leasing party and the amount and timing of rental payments and responsibilities of both parties during the term of the lease. The customer provides the Group with an undertaking to settle the rental amount as per the agreed schedule.

The Group retains the ownership of the assets throughout the entire lease term. At the end of the lease term, the Group sells the leased asset to the customer at a nominal value based on a sale undertaking by the Group.

Murabaha
An agreement whereby the Group sells to a customer a commodity, which the Group has purchased and acquired, based on promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises the cost of the commodity and an agreed profit margin.

Mudaraba
A contract between the Group and a customer, whereby one party provides the funds (Rab Al Mal) and the other party (the Mudarib) invests the funds in a project or a particular activity and any generated profits are distributed between the parties according to the profit shares that were pre-agreed upon in the contract. The Mudarib is responsible for all losses caused by his misconduct, negligence or violation of the terms and conditions of the Mudaraba; otherwise, losses are borne by Rab Al Mal.

Wakala
An agreement whereby the Group provides a certain sum of money to an agent (Wakkil) who invests it in Sharia’s compliant transactions according to specific conditions in return for a certain fee (a lump sum of money or a percentage of the amount invested).

(ii) Revenue recognition

Ijara
Income from Ijara is recognised on a declining-value basis, until such time a reasonable doubt exists with regard to its collectability.

Murabaha
Income from Murabaha is recognised on a declining-value basis, until such time a reasonable doubt exists with regard to its collectability.

3 Significant accounting policies *(continued)*

(g) Islamic financing and investing contracts *(continued)*

(ii) Revenue recognition (continued)

Mudaraba
Income or losses on Mudaraba financing are recognised on an accrual basis if they can be reliably estimated. Otherwise, income is recognised on distribution by the Mudarib, whereas the losses are charged to the consolidated income statement on their declaration by the Mudarib.

Wakala
Estimated income from Wakala is recognised on an accrual basis over the period, adjusted by actual income when received. Losses are accounted for on the date of declaration by the agent.

(h) Non-trading investments

Included in non-trading investments are available for sale assets which are initially recognised at fair value plus incremental transaction costs directly attributable to the acquisition.

After initial recognition, these investments are remeasured at fair value. For investments which are not part of an effective hedge relationship, unrealised gains or losses are recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income, is included in the consolidated income statement for the year. For investments which are part of an effective fair value hedge relationship, any unrealised gain or loss arising from a change in fair value is recognised directly in the consolidated income statement to the extent of the changes in fair value being hedged.

For the purpose of recognising foreign exchange gains and losses, an available for sale financial asset is treated as if it were carried at amortised cost in the foreign currency. Accordingly, for such a financial asset, exchange differences are recognised in the consolidated income statement.

For unquoted equity investments where fair value cannot be reliably measured, these are carried at cost less provision for impairment in value. Upon subsequent derecognition, the profit or loss on sale is recognised in the consolidated income statement for the year.

Included in non-trading investments are held-to-maturity assets which are carried at amortised cost less impairment.

(i) Reverse repurchase agreements

Assets purchased with a simultaneous commitment to resale at a specified future date (reverse repos) are not recognised. The amount paid to the counterparty under these agreements is shown as reverse repurchase agreements in the consolidated statement of financial position. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement and charged to the consolidated income statement using the effective interest method.

3 Significant accounting policies *(continued)*

(j) Property and equipment

(i) Recognition and measurement

All items of property and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Capital projects in progress are initially recorded at cost, and upon completion are transferred to the appropriate category of property and equipment and thereafter depreciated.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within other operating income in the consolidated income statement.

(ii) Depreciation

Depreciation is recognised in the consolidated income statement on a straight-line basis over the estimated useful lives of all property and equipment. Freehold land and capital work in progress are not depreciated.

The estimated useful lives of assets for the current and comparative period are as follows:

Buildings	20 to 50 years
Office furniture and equipment	1 to 5 years
Alterations to premises	4 years
Safes	10 to 20 years
Computer systems and equipment	3 to 7 years
Vehicles	3 years

Depreciation methods, useful lives and residual values are reassessed at every reporting date.

(iii) Impairment

The carrying amounts are reviewed at each reporting date for indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in the consolidated income statement to the extent that carrying values do not exceed the recoverable amounts.

3 Significant accounting policies *(continued)*

(k) Collateral pending sale

Non-financial assets acquired in settlement of loans and advances are recorded as assets held for sale and reported in "Other assets". The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loan (net of impairment allowance) at the date of exchange. No depreciation is provided in respect of assets held for sale. Any subsequent write-down of the acquired asset to fair value less costs to sell is recorded as an impairment loss and included in the consolidated income statement. Any subsequent increase in the fair value less costs to sell, to the extent this does not exceed the cumulative impairment loss, is recognised in the consolidated income statement. The Group's collateral disposal policy is in line with the respective regulatory requirement of the regions in which the Group operates.

(l) Due to banks, customers' deposits, Euro commercial paper and medium-term borrowings

Due to banks, customer deposits, Euro commercial paper and medium-term borrowings are initially recognised at their fair value plus transaction costs and subsequently measured at their amortised cost using the effective interest method.

(m) Repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) are not derecognised. The liability to the counterparty for amounts received under these agreements is shown as repurchase agreements in the consolidated statement of financial position. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreement and charged to the consolidated income statement using the effective interest method.

(n) Subordinated notes

Subordinated notes include subordinated convertible notes that can be converted into share capital at the option of the holder, where the number of shares issued do not vary with changes in their fair value, are accounted for as compound financial instruments. The equity component of the subordinated convertible notes is calculated as the excess of issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option.

Subsequent to initial recognition subordinated notes are measured at their amortised cost using the effective interest method.

(o) Share option scheme

On the grant date fair value of options granted to staff is recognised as staff cost, with a corresponding increase in equity, over the period in which the staff become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the number of share options for which the related service conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of share options that do meet the related service and non-market performance conditions at the vesting date.

3 Significant accounting policies *(continued)*

(o) Share option scheme *(continued)*

The fair value of the amount payable to staff in respect of the share appreciation rights that are settled in cash is recognised as an expense with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as staff costs in consolidated income statement.

(p) Interest

Interest income and expense are recognised in the consolidated income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability.

The calculation of the effective interest rate includes all fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the consolidated income statement include:

- interest on financial assets and liabilities at amortised cost on an effective interest basis.
- interest on available-for-sale investment securities on an effective interest basis.
- interest on held for trading securities on an effective interest basis.

(q) Fee and commission

The Group earns fee and commission income from a diverse range of services provided to its customers. The basis of accounting treatment of fees and commission depends on the purposes for which the fees are collected and accordingly the revenue is recognised in consolidated income statement. Fee and commission income is accounted for as follows:

- income earned from the provision of services is recognised as revenue as the services are provided (for example, loan processing fees, investment management fees and loan syndication fees); and
- income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, commission on the allotment of shares to a client, placement fees for arranging a loan between the borrower and an investor).
- income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in “Interest income”;

Fee and commission expense relates mainly to transaction and service fees which are expensed as the services are received.

3 Significant accounting policies *(continued)*

(r) Net investment income

Net investment income comprise gains less losses relating to realised and unrealised gains and losses on investments at fair value through profit or loss, realised gains and losses on non-trading investments and dividend income. Dividend income is recognised when the right to receive payment is established.

(s) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at spot exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rates at the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in consolidated income statement.

(ii) Foreign operations

The activities of subsidiaries and branches based outside the UAE are not deemed an integral part of the head office operations, as they are financially and operationally independent of the head office. The assets and liabilities of the subsidiaries and overseas branches are translated into UAE Dirhams at rates of exchange at the reporting date. Income and expense items are translated at average rates, as appropriate, at the dates of transactions. Exchange differences (including those on transactions which hedge such investments) arising from retranslating the opening net assets, are taken directly to foreign currency translation adjustment account in other comprehensive income.

3 Significant accounting policies *(continued)*

(t) Overseas income tax

Income tax expense is provided for in accordance with fiscal regulations of the respective countries in which the Group operates and is recognised in the consolidated income statement. Income tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

(u) Zakat

Zakat represents business zakat payable by the Group to comply with the principles of Sharia'a and approved by the Sharia'a Supervisory Board.

The Group's appointed Zakat Committee is mandated to recommend zakat distribution.

3 Significant accounting policies *(continued)*

(v) Derivative financial instruments and hedging

Derivatives are initially recognised, and subsequently measured at fair value with transaction costs taken directly to the consolidated income statement. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative or using valuation techniques, mainly discounted cash flow models.

Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities.

The method of recognising the resulting fair value gains or losses depends on whether the derivative is held for trading, or is designated as a hedging instrument and, if so, the nature of the risk being hedged. All gains and losses from changes in fair value of derivatives held for trading are recognised in the consolidated income statement. When derivatives are designated as hedges, the Group classifies them as either: (i) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; (ii) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. Hedge accounting is applied to derivatives designated as hedging instruments in a fair value or cash flow, provided certain criteria are met.

Embedded derivatives
Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristic and risks of the embedded derivative are not closely related to the economic characteristics and risk of the host contract. Separated embedded derivatives are accounted for depending on their classification, and are presented separately from host contract in the consolidated statement of financial position.

Hedge accounting
It is the Group's policy to document, at the inception of a hedge, the relationship between hedging instruments and hedged items, as well as risk management objective and strategy. The policy also requires documentation of the assessment, at inception and on an ongoing basis, of the effectiveness of the hedge.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80‑125 percent. The Group makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Fair value hedge
In relation to fair value hedges, any gain or loss from remeasuring the hedging instrument to fair value, as well as related changes in fair value of the item being hedged, are recognised immediately in the consolidated income statement.

3 Significant accounting policies *(continued)*

(v) Derivative financial instruments and hedging *(continued)*

Cash flow hedge
In relation to effective cash flow hedges, the gain or loss on the hedging instrument is recognised initially in other comprehensive income and transferred to the consolidated income statement in the period in which the hedged transaction impacts the consolidated income statement. Gain or loss, if any, relating to the ineffective portion is recognised immediately in the consolidated income statement. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the consolidated income statement.

Other derivatives
All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting or are not designated as such are recognised immediately in the consolidated income statement as a component of net investment income or net foreign exchange gain.

(w) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows, at a pre-tax rate, that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(x) Staff terminal benefits

UAE operations: UAE nationals employed by the Group are registered in the scheme managed by Abu Dhabi Retirement Pensions & Benefits Fund in accordance with Law number (2) of 2000. Staff terminal benefits for expatriate employees are accounted for on the basis of their accumulated services at the reporting date and in accordance with the Group's internal regulations, which comply with the UAE federal labour law.

Foreign operations: the Group provides for staff terminal benefits for its employees based overseas in accordance with the applicable regulations in those jurisdictions.

(y) Directors' remuneration

In accordance with the Ministry of Economy and Commerce interpretation of Article 119 of Federal Law No. 8 of 1984 (as amended), Directors' remuneration has been treated as an component of other comprehensive income.

(z) Fiduciary activities

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in these consolidated financial statements.

(aa) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms.

Financial guarantee contracts in the nature of credit default guarantees are treated as insurance contracts and accounted under IFRS 4.

3 Significant accounting policies *(continued)*

(aa) Financial guarantees *(continued)*

For other financial guarantee contracts, financial guarantees are initially recognised at their fair value (which is the premium received on issuance). The received premium is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). The premium received on these financial guarantees is included within other liabilities.

(ab) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise subordinated convertible notes and share options granted to staff.

(ac) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chief Executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Head office segment is comprised of head office as well as aggregated individually insignificant segments.

(ad) Lease payments

Payments made under operating leases are recognised in the consolidated income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(ae) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2011, and have not been applied in preparing these consolidated financial statements:

IAS -1 *(Amendments to IAS 1)* Presentation of Items of Other Comprehensive Income: the amendments change the grouping of items presented in other comprehensive income Effective 1 July 2012

IFRS - 7 *(Amendments to IFRS 7)* - Disclosures - Transfers of Financial Assets the amendment introduces disclosure requirement for financial assets and liabilities that are offset in statement of financial position or are subject to master netting arrangement or similar arrangements. Effective 1 January 2013;

IAS -12 *(Amendments to IAS 12)* - Deferred Tax: Recovery of Underlying Assets: Effective 1 January 2012;

3 Significant accounting policies *(continued)*

(ae) New standards and interpretations not yet adopted *(continued)*

IFRS -10 *Consolidated Financial Statements*: Replaces the part of IAS 27 Consolidated and separate financial statements and SIC 12 Consolidation - Special purpose entities. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. Effective 1 January 2013;

IFRS -11 *Joint Arrangements*: Standard on Joint Arrangements provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities Effective 1 January 2013

IFRS -12 *Disclosure of Interests in Other Entities*: Standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities Effective 1 January 2013

IFRS -13 *Fair Value Measurement*: Seeks to increase consistency and comparability in fair value measurements and related disclosures across IFRSs Effective 1 January 2013;

IFRS -9 *Financial Instruments:* In November 2009 the IASB's issued IFRS 9 as a comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable.

Gains and losses on remeasurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 (2010) added guidance to IFRS 9 (2009) on the classification and measurement of financial liabilities, and this guidance is consistent with the guidance in IAS 39 with few exceptions.

IFRS 9 (2010) also added the requirements of IAS 39 for the derecognition of financial assets and liabilities to IFRS 9 without change.

The IASB has deferred the mandatory effective date of the existing chapters of IFRS 9 Financial Instruments (2009) and IFRS 9 (2010) to annual periods beginning on or after January 1, 2015. The early adoption of either standard continues to be permitted. Given the nature of the Groups operations, this standard is expected to have a pervasive impact on the Group's consolidated financial statement.

4 Financial risk management

(a) Introduction and overview

The Group has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Group's risk management framework and they are assisted by two board committees (Risk Management Committee and Audit Committee), and three management committees (Assets and Liabilities Committee, Group Credit Committee and Operational Risk Management Committee).

(b) Credit risk

Credit risk is the risk that a customer or counterparty to a financial asset fails to meet its contractual obligations and cause the Group to incur a financial loss. It arises principally from the Group's loans and advances, due from banks and financial institutions, reverse repurchase agreements and non-trading investments and certain other assets.

For risk management purposes, credit risk arising on trading investments is managed independently, and reported as a component of market risk exposure.

Management of credit risk

The Group uses an internal risk rating system to assess the credit quality of borrowers and counterparties. Each exposure in the Sovereign, Banks and Corporate asset classes is assigned a rating. The risk rating system has 11 grades, further segregated into 24 notches. Grades 1-7 are performing, Grade 8 is Other Loans Especially Mentioned (OLEM) and Grades 9 -11 are non – performing each with a rating description.

In addition, the Group manages the credit exposure by obtaining security where appropriate and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk. Credit risk in respect of derivative financial instruments is limited to those with positive fair values.

Credit risk arising from other financial instruments are managed by assigning limits, diversification of investment activities, limiting concentration of exposure to industry sectors, geographical locations and counterparties

4 Financial risk management *(continued)*

(b) Credit risk *(continued)*

Impairment:

The Group measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset, interest suspended and impairment losses, if any. The carrying amount of financial assets represents the maximum credit exposure.

	Due from Banks and financial institutions		Loans and advances		Non-trading investments	
	2011	2010	**2011**	2010	**2011**	2010
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Individually impaired						
Substandard	**-**	-	**2,292,175**	2,054,985	**-**	-
Doubtful	**979**	979	**1,823,454**	558,651	**20,055**	20,055
Loss	-	-	**1,225,818**	994,079	-	-
Gross amount	**979**	979	**5,341,447**	3,607,715	**20,055**	20,055
Interest suspended	**-**	-	**(502,139)**	(358,624)	-	-
Specific allowance for impairment	**(979)**	(979)	**(2,480,109)**	(1,771,860)	**(16,712)**	(16,712)
Carrying amount	-	-	**2,359,199**	1,477,231	**3,343**	3,343
Past due but not impaired						
Past due comprises:						
Less than 30 days	-	-	**430,912**	202,089	-	-
31 – 60 days	-	-	**74,894**	45,979	-	-
61 – 90 days	-	-	**77,998**	443,935	-	-
More than 90 days	-	-	**1,774,272**	2,472,830	-	-
Carrying amount	-	-	**2,358,076**	3,164,833	-	-
Neither past due nor Impaired	**15,166,763**	14,764,757	**157,125,500**	134,083,653	**26,565,997**	21,392,662
Collective allowance for impairment	-	**-**	**(2,320,597)**	(1,892,221)	-	-
Carrying amount	**15,166,763**	14,764,757	**159,522,178**	136,833,496	**26,569,340**	21,396,005

Non trading investment includes investment in equity instruments amounting to AED 97 million *(2010: AED 69 million)* which does not carry credit risk.

4 Financial risk management *(continued)*

(b) Credit risk *(continued)*

Impaired loans and advances and non-trading investments
Impaired loans and advances and non-trading investments are financial assets for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. The Group financial assets that are neither past due nor impaired fall within the grade 1 – 7 in accordance with the Group's internal credit risk grading system.

Past due but not impaired
Past due but not impaired are accounts where either contractual principal or interest are past due or when the accounts show some potential weakness in the borrower's financial position and creditworthiness, and requires more than normal attention. Such potential weakness is specifically monitored to ensure that the quality of the asset does not deteriorate in the near future affecting negatively the Group's credit position. On this class of asset the Group believes that specific impairment is not appropriate at the current condition, but interest is suspended in certain cases.

Loans with renegotiated terms
Loans with renegotiated terms are loans that have been restructured due to either deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider or the loans are performing but the terms have been amended. Once a loan is restructured, it remains in this category for a minimum period of twelve months, in order to establish satisfactory track record of performance under the restructuring agreement. The Bank determines the twelve-month period to commence from either the date of signing of the agreement for restructuring or the date on which the revised terms were first adhered to by the borrower, whichever comes earlier. In the last twelve months, the Group has renegotiated the following exposures:

	2011 AED'000	2010 AED'000
Renegotiated loans	**3,159,123**	2,734,460

Accounts with re-negotiated terms amounting to AED 50,655 thousand *(2010: AED 604,444 thousand)* are included in past due but not impaired.

Movement of renegotiated loans during the year

	2011 AED'000	2010 AED'000
Balance at the beginning of the year	**2,734,460**	3,183,155
Upgraded to neither past due nor impaired during the year	**(1,620,838)**	(2,386,863)
Downgraded to individually impaired or past due but not impaired during the year	**(508,191)**	(772,651)
Additions during the year	**2,553,692**	2,710,819
Balance at the end of the year	**3,159,123**	2,734,460

4 Financial risk management *(continued)*

(b) Credit risk *(continued)*

Allowances for impairment
The Group establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance for losses that have been incurred but not identified, established for groups of homogeneous assets with similar risk characteristics that are indicative of the debtor's ability to pay amounts due according to the contractual terms on the basis of a credit risk evaluation or grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

Individually assessed loans are required to be classified as impaired as soon as there is objective evidence that an impairment loss has been incurred. Objective evidence of impairment includes observable data such as when contractual payment of principal or interest is overdue or there is known difficulties in the cash flows of counterparties, credit rating downgrades or original terms of the contractual repayment are unable to be met.

Write-off policy
The Group writes off a loan or investment balance (and any related allowances for impairment losses) when the Risk Management Committee determines that the loans or investments are uncollectible. This is determined after all possible efforts of collecting the amounts have been exhausted.

Collateral
The Group holds collateral against loans and advances and reverse repurchase agreement in the form of mortgage interests over property, other securities, cash deposits and guarantees. The Group accepts sovereign guarantees and guarantees from well reputed local or international banks, well established local or multinational large corporate and high net-worth private individuals. Collateral generally is not held against due from banks, and no such collateral was held at 31 December 2011 or 2010.

An estimate of the collateral coverage against non performing loans and advances (including Islamic financing) is shown below:

	2011 **AED'000**	2010 AED'000
Collateral value cover		
0 – 50%	**2,961,173**	2,495,414
50 – 100%	**1,358,079**	804,340
Above 100%	**1,022,195**	307,961
Total Gross non performing Loans	**5,341,447**	3,607,715

During the year 2011 and 2010, the Group repossessed a negligible amount of collateral that was held as security against loans and advances.

4 Financial risk management *(continued)*

(b) Credit risk *(continued)*

Concentrations of risk

The Group monitors concentrations of credit risk by industry sector, counterparty and geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	Loans and advances		**Others**	
	2011	2010	**2011**	2010
	AED'000	AED'000	**AED'000**	AED'000
Concentration by industry sector:				
Agriculture	**50,082**	103,532	**-**	-
Energy	**30,557,399**	25,043,930	**3,105,361**	2,415,564
Manufacturing	**9,152,371**	6,583,978	**-**	13,666
Construction	**5,237,302**	6,631,172	**1,201**	110,711
Real estate	**27,228,389**	23,970,794	**824,632**	812,764
Trading	**4,018,428**	3,617,829	**59,457**	55,430
Transport	**6,215,941**	5,929,186	**153,727**	394,472
Banks	**16,052,536**	4,236,794	**21,456,968**	19,637,077
Other financial institutions	**7,338,342**	6,942,760	**11,554,296**	3,677,504
Services	**14,356,321**	13,869,731	**628,408**	919,279
Government	**17,293,055**	16,949,791	**6,810,035**	5,539,023
Personal loans for consumption	**17,591,302**	18,065,721	**-**	-
Personal loans others	**9,252,772**	8,489,823	**11,020**	11,020
Others	**480,783**	421,160	**-**	778
	164,825,023	140,856,201	**44,605,105**	33,587,288
Less: allowance for impairment	**(4,800,706)**	(3,664,081)	**-**	-
Less: interest suspended	**(502,139)**	(358,624)	**-**	-
Carrying amount	**159,522,178**	136,833,496	**44,605,105**	33,587,288

Others comprises of Investments at fair value through profit or loss account, reverse repurchase agreements and non trading investments.

	Investments at fair value through profit or loss		**Non-trading investments**	
	2011	2010	**2011**	2010
	AED'000	AED'000	**AED'000**	AED'000
Concentration by counter party:				
Government	**248,497**	292,898	**6,561,538**	5,245,962
Supranational	**-**	-	**9,586**	36,768
Public sector	**298,074**	249,660	**5,214,065**	3,390,161
Banks and financial institutions	**407,581**	200,584	**13,884,779**	11,465,305
Corporate sector	**656,593**	549,684	**916,084**	1,274,521
	1,610,745	1,292,826	**26,586,052**	21,412,717
Less: Allowance for impairment	**-**	-	**(16,712)**	(16,712)
Total carrying amount	**1,610,745**	1,292,826	**26,569,340**	21,396,005

4 Financial risk management *(continued)*

(b) Credit risk *(continued)*

The concentration by counter party for loans and advances is disclosed in note 11.

Concentration by location:

	Due from banks and financial institutions AED'000	Loans and advances AED'000	Reverse repurchase agreements AED'000	Non-trading investments AED'000
As at 31 Dec 2011				
UAE	5,201,923	116,431,965	2,187,054	12,113,857
Europe	3,853,883	19,974,368	8,574,123	7,185,706
Arab countries	3,557,193	13,260,380	5,480,193	5,377,449
America	2,190,238	1,760,516	183,650	731,943
Asia	352,876	7,241,746	-	-
Others	10,650	853,203	-	1,160,385
	15,166,763	**159,522,178**	**16,425,020**	**26,569,340**
As at 31 Dec 2010				
UAE	4,148,392	106,478,359	11,024	10,372,416
Europe	5,941,773	15,005,846	6,833,156	5,212,152
Arab countries	3,014,020	12,899,501	3,727,979	3,610,728
America	1,009,253	674,829	326,298	816,306
Asia	632,079	1,195,792	-	-
Others	19,240	579,169	-	1,384,403
	14,764,757	**136,833,496**	**10,898,457**	**21,396,005**

Concentration by location for loans and advances, due from banks and financial institutions is measured based on the residential status of the borrower. Concentration by location for non-trading investments and reverse repurchase agreements is measured based on the location of the issuer of the security.

Classification of trading securities and investment securities as per their external ratings:

	Non-trading investments		Investments at fair value through profit or loss	
	2011 AED'000	2010 AED'000	**2011 AED'000**	2010 AED'000
AAA	**198,413**	1,407,098	**-**	-
AA to A	**21,046,024**	15,154,105	**877,368**	550,900
BBB to B	**2,824,272**	2,349,245	**92,506**	203,279
Lower than B	**29,397**	-	**-**	-
Unrated	**2,471,234**	2,485,557	**640,871**	538,647
	26,569,340	21,396,005	**1,610,745**	1,292,826

Unrated investments primarily consist of investments in Government related entities and investments in equities and funds.

4 Financial risk management *(continued)*

(b) Credit risk *(continued)*

Settlement risk
The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counter party to honour its obligations to deliver cash, securities or other assets as contractually agreed. Any delay in settlement is rare and monitored.

Derivative related credit risk
Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are favourable to the Group, which are included in other assets. The positive market value is also referred to as the "replacement cost" since it is an estimate of what it would cost to replace transactions at prevailing market rates if a counterparty defaults. The majority of the Group's derivative contracts are entered into with other bank and financial institutions.

Commitments and contingencies related credit risk
Credit risk arising from commitments and contingencies is discussed in note 37.

(c) Liquidity risk

Liquidity or funding risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately.

Management of liquidity risk
The Group's approach to managing liquidity risk is to ensure that, management has diversified funding sources and closely monitors liquidity to ensure adequate funding. The Group maintains a portfolio of short-term liquid assets, largely made up of short-term liquid trading investments, and inter-bank placements. All liquidity policies and procedures are subject to review and approval by ALCO.

The key measure used by the Group for measuring liquidity risk is the ratio of net assets, i.e., total assets by maturity against total liabilities by maturity.

Exposure to liquidity risk
Details of the Group's net liquid assets is summarised in the table below by the maturity profile of the Group's assets and liabilities based on the contractual repayment arrangements and does not take account of the effective maturities as indicated by the Group's deposit retention history. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

4 Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

The maturity profile of the assets and liabilities at 31 December 2011 was as follows:

	Total AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	over 5 years AED'000	Unspecified maturity AED'000
Assets							
Cash and balances with central banks	**24,468,641**	20,424,736	4,026,367	-	-	17,538	-
Investments at fair value through profit or loss	**1,610,745**	1,610,745	-	-	-	-	-
Due from banks and financial institutions	**15,166,763**	12,024,938	3,050,000	91,825	-	-	-
Reverse repurchase agreements	**16,425,020**	13,956,944	1,123,183	1,344,893	-	-	-
Loans and advances	**159,522,178**	29,337,267	22,762,261	34,344,119	16,953,842	56,124,689	-
Non-trading investments	**26,569,340**	2,773,635	2,247,170	5,413,694	2,737,498	13,397,343	-
Other assets	**9,689,058**	8,024,985	1,110,655	172,308	224,054	157,056	-
Property and equipment	**2,215,760**	-	-	-	-	-	2,215,760
	255,667,505	**88,153,250**	**34,319,636**	**41,366,839**	**19,915,394**	**69,696,626**	**2,215,760**
Liabilities and equity							
Due to banks and financial institutions	**39,795,601**	37,025,180	2,678,596	91,825	-	-	-
Repurchase agreements	**3,513,726**	3,513,726	-	-	-	-	-
Euro commercial paper	**-**	-	-	-	-	-	-
Customers' deposits	**151,816,887**	133,965,879	13,032,057	4,609,798	52,414	156,739	-
Medium-term borrowings	**15,148,516**	2,010,311	1,535,793	6,432,823	3,466,416	1,703,173	-
Other liabilities	**11,013,236**	8,798,754	1,683,787	165,233	214,855	150,607	-
Subordinated notes	**7,990,054**	-	-	-	1,040,631	6,949,423	-
Equity	**26,389,485**	-	-	-	-	-	26,389,485
	255,667,505	**185,313,850**	**18,930,233**	**11,299,679**	**4,774,316**	**8,959,942**	**26,389,485**
Undrawn commitments to extend credit	**20,873,395**	1,930,648	1,947,945	2,830,702	1,533,254	12,630,846	-
Financial guarantees	**11,564,783**	2,036,563	820,569	2,752,441	5,950,260	4,950	-

4 Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

The maturity profile of the assets and liabilities at 31 December 2010 was as follows:

	Total AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	over 5 years AED'000	Unspecified maturity AED'000
Assets							
Cash and balances with central banks	**18,429,827**	11,309,721	7,029,532	57,539	-	33,035	-
Investments at fair value through profit or loss	**1,292,826**	1,292,826	-	-	-	-	-
Due from banks and financial institutions	**14,764,757**	12,123,601	2,636,611	4,545	-	-	-
Reverse repurchase agreements	**10,898,457**	10,486,628	411,829	-	-	-	-
Loans and advances	**136,833,496**	29,141,848	12,164,823	26,579,103	18,531,968	50,415,754	-
Non-trading investments	**21,396,005**	1,254,594	2,177,423	2,323,627	5,062,410	10,577,951	-
Other assets	**5,601,350**	4,177,268	1,002,320	113,809	171,115	136,838	-
Property and equipment	**2,210,552**	-	-	-	-	-	2,210,552
	211,427,270	**69,786,486**	**25,422,538**	**29,078,623**	**23,765,493**	**61,163,578**	**2,210,552**
Liabilities and equity							
Due to banks and financial institutions	**31,551,346**	28,870,318	2,589,203	91,825	-	-	-
Repurchase agreements	**2,542,896**	2,542,896	-	-	-	-	-
Euro commercial paper	**35,053**	-	35,053	-	-	-	-
Customers' deposits	**123,130,589**	103,099,653	14,444,607	3,074,843	2,479,214	32,272	-
Medium-term borrowings	**14,458,665**	-	-	6,463,841	6,939,162	1,055,662	-
Other liabilities	**7,283,019**	5,567,513	1,348,078	92,966	139,777	134,685	-
Subordinated notes	**8,312,286**	-	-	-	-	8,312,286	-
Equity	**24,113,416**	-	-	-	-	-	24,113,416
	211,427,270	**140,080,380**	**18,416,941**	**9,723,475**	**9,558,153**	**9,534,905**	**24,113,416**
Undrawn commitments to extend credit	**24,364,556**	2,729,890	2,466,361	7,040,426	543,594	11,584,285	-
Financial guarantees	**10,066,405**	615,232	2,857,006	3,103,250	899,885	2,591,032	-

4 Financial risk management *(continued)*

(d) Market risk

Market risk is the risk that the Group's income and / or value of a financial instrument will fluctuate because of changes in market prices such as interest rates, foreign exchange rates and market prices of equity and commodity price.

Management of market risk

The Risk Management Committee has set risk limits based on sensitivity analysis and notional limits which are closely monitored by the Risk Management Division and reported regularly to Senior Management and discussed monthly by the Assets and Liabilities Committee.

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Interest rate risk

Interest rate risk arises from interest bearing financial instruments and reflects the possibility that changes in interest rates will adversely affect the value of the financial instruments and the related income. The Group manages this risk principally through monitoring interest rate gaps and by matching the re-pricing profile of assets and liabilities.

Overall interest rate risk positions are managed by using derivative instruments to manage overall position arising from the Group's interest bearing financial instruments. The use of derivatives to manage interest rate risk is described in note 38.

The substantial portion of the Group's assets and liabilities are re-priced within one year. Accordingly there is a limited exposure to interest rate risk.

The effective interest rate of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is an original effective interest rate for a fixed rate instrument carried at amortised cost and a current market rate for a floating instrument or an instrument carried at fair value.

4 Financial risk management *(continued)*

(d) Market risks *(continued)*

The Group's interest rate gap and sensitivity position based on contractual re-pricing arrangements at 31 December 2011 was as follows:

	Total AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	over 5 years AED'000	Non interest bearing AED'000
Assets							
Cash and balances with central banks	**24,468,641**	18,928,096	4,026,367	-	-	4,770	1,509,408
Investments at fair value through profit or loss	**1,610,745**	39,276	250,296	290,552	115,779	316,056	598,786
Due from banks and financial institutions	**15,166,763**	14,371,954	150,000	91,825	-	-	552,984
Reverse repurchase agreements	**16,425,020**	13,956,943	1,123,184	1,344,893	-	-	-
Loans and advances	**159,522,178**	134,372,583	21,817,149	1,981,243	183,904	755,428	411,871
Non-trading investments	**26,569,340**	8,164,665	2,925,075	3,946,774	2,097,248	9,328,190	107,388
Other assets	**9,689,058**	-	-	-	-	-	9,689,058
Property and equipment	**2,215,760**	-	-	-	-	-	2,215,760
	255,667,505	**189,833,517**	**30,292,071**	**7,655,287**	**2,396,931**	**10,404,444**	**15,085,255**
Liabilities and equity							
Due to banks and financial institutions	**39,795,601**	34,075,491	2,678,596	-	-	-	3,041,514
Repurchase agreements	**3,513,726**	3,513,726	-	-	-	-	-
Euro commercial paper	**-**	-	-	-	-	-	-
Customers' deposits	**151,816,887**	92,076,934	11,089,841	3,457,066	52,414	153,838	44,986,794
Medium-term borrowings	**15,148,516**	6,300,854	-	3,678,073	3,466,416	1,703,173	-
Other liabilities	**11,013,236**	-	-	-	-	-	11,013,236
Subordinated notes	**7,990,054**	2,077,407	-	-	-	5,912,647	-
Equity	**26,389,485**	-	-	-	-	-	26,389,485
	255,667,505	**138,044,412**	**13,768,437**	**7,135,139**	**3,518,830**	**7,769,658**	**85,431,029**
On statement of financial position gap		51,789,105	16,523,634	520,148	(1,121,899)	2,634,786	(70,345,774)
Off statement of financial position gap		(7,535,883)	2,783,095	(687,595)	7,993,211	(2,552,828)	-
Total interest rate sensitivity gap		**44,253,222**	**19,306,729**	**(167,447)**	**6,871,312**	**81,958**	**(70,345,774)**
Cumulative interest rate sensitivity		**44,253,222**	**63,559,951**	**63,392,504**	**70,263,816**	**70,345,774**	**-**

4 Financial risk management *(continued)*

(d) Market risks *(continued)*

The Group's interest rate gap and sensitivity position based on contractual re-pricing arrangements at 31 December 2010 was as follows:

	Total AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	over 5 years AED'000	Non interest bearing AED'000
Assets							
Cash and balances with central banks	**18,429,827**	5,298,703	7,112,801	57,368	-	5,689	5,955,266
Investments at fair value through profit or loss	**1,292,826**	45,404	68,752	209,840	273,278	217,864	477,688
Due from banks and financial institutions	**14,764,757**	10,487,196	2,636,611	4,545	-	-	1,636,405
Reverse repurchase agreements	**10,898,457**	10,443,480	411,829	-	-	-	43,148
Loans and advances	**136,833,496**	59,782,435	71,424,301	2,002,363	1,098,242	2,380,363	145,792
Non-trading investments	**21,396,005**	7,645,966	3,030,580	985,347	4,511,951	5,118,310	103,851
Other assets	**5,601,350**	-	-	-	-	-	5,601,350
Property and equipment	**2,210,552**	-	-	-	-	-	2,210,552
	211,427,270	**93,703,184**	**84,684,874**	**3,259,463**	**5,883,471**	**7,722,226**	**16,174,052**
Liabilities and equity							
Due to banks and financial institutions	**31,551,346**	26,687,290	3,015,743	-	-	-	1,848,313
Repurchase agreements	**2,542,896**	2,542,896	-	-	-	-	-
Euro commercial paper	**35,053**	-	35,053	-	-	-	-
Customers' deposits	**123,130,589**	82,248,622	14,024,404	2,931,458	1,998,063	28,491	21,899,551
Medium-term borrowings	**14,458,665**	4,295,433	-	2,168,408	6,939,162	1,055,662	-
Other liabilities	**7,283,019**	-	-	-	-	-	7,283,019
Subordinated notes	**8,312,286**	2,685,378	-	-	-	5,626,908	-
Equity	**24,113,416**	-	-	-	-	-	24,113,416
	211,427,270	**118,459,619**	**17,075,200**	**5,099,866**	**8,937,225**	**6,711,061**	**55,144,299**
On statement of financial position gap		(24,756,435)	67,609,674	(1,840,403)	(3,053,754)	1,011,165	(38,970,247)
Off statement of financial position gap		(8,871,682)	(1,800,690)	4,356,310	5,308,882	1,007,180	-
Total interest rate sensitivity gap		**(33,628,117)**	**65,808,984**	**2,515,907**	**2,255,128**	**2,018,345**	**(38,970,247)**
Cumulative interest rate sensitivity		**(33,628,117)**	**32,180,867**	**34,696,774**	**36,951,902**	**38,970,247**	**-**

4 Financial Risk Management *(continued)*

(d) Market risks *(continued)*

Interest rate risk is also assessed by measuring the impact of reasonable possible change in interest rate movements. The Group assumes a fluctuation in interest rates of 50 basis points *(2010: 50 basis points)* and estimates the following impact on the net profit for the year and equity at that date:

	Net profit for the year AED'000 2011	**Equity AED'000 2011**	Net profit for the year AED'000 2010	Equity AED'000 2010
Fluctuation in yield	**229,808**	**398,733**	(26,362)	117,480

The interest rate sensitivities set out above are illustrative only and employ simplified scenarios. They are based on AED 240,582 million *(2010: AED 195,253 million)* interest bearing assets and AED 170,236 million *(2010: AED 156,283 million)* interest bearing liabilities. The sensitivity does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Group's functional currency is the UAE Dirham. The Board of Directors has set limits on positions by currency. Positions are closely monitored and hedging strategies are used to ensure positions are maintained within established limits. At 31 December, the Group had the following significant net exposures denominated in foreign currencies:

	Net spot position (short)/long AED'000	**Forward position (short)/long AED'000**	**Total 2011 (short)/long AED'000**	Total 2010 (short)/long AED'000
Currency				
US Dollar	8,108,374	(6,364,130)	**1,744,244**	(5,658,953)
UK Sterling Pound	(3,046,049)	3,083,595	**37,546**	(6,321)
Euro	5,288,216	(5,332,372)	**(44,156)**	3,146
Kuwaiti Dinar	213,159	(173,597)	**39,562**	57
Omani Riyal	401,058	(668,847)	**(267,789)**	3,689
Saudi Riyal	(2,557,820)	2,049,565	**(508,255)**	(22,820)
Japanese Yen	1,502,935	(1,496,624)	**6,311**	210,715
Swiss Franc	252,127	(312,661)	**(60,534)**	(56,492)

The exchange rate of AED against US Dollar is pegged since November 1980 and the Group's exposure to currency risk is limited to that extent. Exposure to other foreign currencies is insignificant.

4 Financial Risk Management *(continued)*

(d) Market risks *(continued)*

Equity price risk

Equity price risk arises from the change in fair values of equity investments. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

(e) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Board has oversight responsibilities for operational risk management in the Group. These responsibilities are exercised through ORMC with an established framework of policies and procedures to identify, assess, monitor, control, manage and report risks. The ORMC employs clear internal policies and procedures to reduce the likelihood of any operational losses. Where appropriate, risk is mitigated by way of insurance. The framework also provides the interrelation with other risk categories.

Compliance with policies and procedures is supported by periodic reviews undertaken by the Compliance Division. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

(f) Capital management

The Group's lead regulator, the Central Bank of the UAE, sets and monitors regulatory capital requirements. The overseas branches and subsidiaries are directly supervised by their local regulators.

The Group's objectives when managing capital are:

- safeguard the Group's ability to continue as a going concern and increase the returns for the shareholders; and
- comply with regulatory capital requirements set by the Central Bank of the UAE and the respective regulators where the overseas units operate.

4 Financial risk management *(continued)*

(f) Capital management *(continued)*

During 2011, the Group's strategy, which was unchanged from 2010, was to:

- maintain a cap for payment of cash dividend ratio of 40% to increase capital through retention;
- maintain capital adequacy ratios above the minimum specified by the Central Bank of the UAE and Basel accord guidelines;
- maintain the highest credit rating in the Middle East; and
- efficiently allocate capital to various businesses.

The Group has set up a committee, namely, the Bank Equity Committee, to manage the investment of capital funds in sovereign bonds and short term money market placements with either the Central Bank of the UAE or above investment grade financial institutions.

In implementing current capital requirements, the Group calculates its risk asset ratio in accordance with capital adequacy guidelines established by the Central Bank of the UAE prescribing the ratio of total capital to total risk-weighted assets. Further, the Group also calculates its capital adequacy ratio in accordance with Basel II Accord which was adopted by the Central Bank of the UAE with effect from 31 December 2008.

The Group's regulatory capital adequacy ratios, set by the Central Bank of the UAE at a minimum level of 12% *(2010: 12%)*, is analysed into two tiers as follows:

4 Financial risk management *(continued)*

(f) Capital management *(continued)*

	2011 AED'000	2010 AED'000
Tier 1 capital		
Ordinary share capital	**2,870,043**	2,391,703
Retained earnings	**4,385,622**	4,180,205
Statutory and special reserve	**3,563,274**	3,324,105
General reserve and share option scheme	**12,446,567**	10,560,537
Foreign currency translation reserve	**(4,646)**	(3,453)
Subordinated convertible notes - equity component	**27,639**	74,925
Government of Abu Dhabi tier 1 capital notes	**4,000,000**	4,000,000
Total	**27,288,499**	24,528,022
Tier 2 capital		
Fair value reserve	**(899,014)**	(414,606)
Qualifying subordinated liabilities	**7,781,927**	8,312,286
Total	**6,882,913**	7,897,680
Deductions from Tier 1 and Tier 2		
Investments in associates	**(30,962)**	(3,450)
Total	**(30,962)**	(3,450)
Total capital base	**34,140,450**	32,422,252
Risk weighted assets:		
On statement of financial position	**123,866,344**	107,314,413
Off statement of financial position	**32,516,110**	33,176,711
Risk weighted assets	**156,382,454**	140,491,124
Risk asset ratio	**21.83%**	23.08%

4 Financial risk management *(continued)*

(f) Capital management *(continued)*

The Group's capital adequacy ratio as per effective regulatory framework, Basel II, at a minimum level of 12% *(2010: 12%)*, is analysed into two tiers as follows:

	Basel II 2011 AED'000	Basel II 2010 AED'000
Tier 1 capital		
Ordinary share capital	**2,870,043**	2,391,703
Retained earnings	**4,385,622**	4,180,205
Statutory and special reserve	**3,563,274**	3,324,105
General reserve and share option scheme	**12,446,567**	10,560,537
Foreign currency translation reserve	**(4,646)**	(3,453)
Subordinated convertible notes - equity component	**27,639**	74,925
Government of Abu Dhabi tier 1 capital notes	**4,000,000**	4,000,000
Total	**27,288,499**	24,528,022
Tier 2 capital		
Fair value reserve	**(899,014)**	(414,606)
Qualifying subordinated liabilities	**7,781,927**	8,312,286
Allowance for collective impairment	**1,947,580**	1,892,221
Total	**8,830,493**	9,789,901
Deductions from capital		
Investments in associates and others	**(30,962)**	(76,910)
Total capital base	**36,088,030**	34,241,013
Risk weighted assets:		
Credit risk	**155,787,562**	135,961,126
Market risk	**5,582,395**	3,801,669
Operational risk	**13,411,531**	11,799,293
Risk weighted assets	**174,781,488**	151,562,088
Risk asset ratio	**20.65%**	22.59%

The Bank and its overseas branches and subsidiaries have complied with all externally imposed capital requirements for all periods presented.

5 Use of estimates and judgements

In the process of applying the Group's accounting policies, management has made the following estimates and judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Key sources of estimation uncertainty

(i) Impairment charge on loans and advances and investments

Impairment losses are evaluated as described in accounting policy 3(b) (ix).

The Group evaluates impairment on loans and advances and investments on an ongoing basis and a comprehensive review on a quarterly basis to assess whether an impairment charge should be recognised in the consolidated income statement. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment charge required. In estimating these cash flows, management makes judgements about counterparty's financial situation and other means of settlement and the net realisable value of any underlying collateral. Such estimates are based on assumptions about several factors involving varying degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such impairment charges.

(ii) Collective impairment charge

In addition to specific impairment charge against individually impaired assets, the Group also maintains a collective impairment allowance against portfolios of loans and advances with similar economic characteristics which have not been specifically identified as impaired. In assessing the need for collective impairment charge, management considers concentrations, credit quality, portfolio size and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical and current economic conditions.

(iii) Impairment charge on property and equipment

Impairment losses are evaluated as described in accounting policy 3(j) (iii).

In determining the net realisable value, the Group uses the selling prices determined by external independent valuers companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The selling prices are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction.

(iv) Contingent liability arising from litigations

Due to the nature of its operations, the Group may be involved in litigations arising in the ordinary course of business. Provision for contingent liabilities arising from litigations is based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.

(v) Share option scheme

The fair value of the share option scheme is determined using the Black-Scholes model. The model inputs comprise share price, exercise price, share price volatility, contractual life of the option, dividend yield and risk-free interest rate.

5 Use of estimates and judgements *(continued)*

Critical accounting judgements in applying the Group's accounting policies include:

(a) Financial asset and liability classification

The Group's accounting policies provide scope for financial assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

In classifying financial assets as "fair value through profit or loss", "held-to-maturity" or "available for sale", the Group has determined it meets the description as set out in accounting policy 3(b) (iii, iv and v) respectively.

(b) Qualifying hedge relationships

In designating financial instruments as qualifying hedge relationships, the Group has determined that it expects the hedge to be highly effective over the life of the hedging relationship.

(c) Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in accounting policy 3(b) (viii) and note 6.

6 Financial assets and liabilities

Fair value of financial instruments

All financial assets and liabilities are measured at amortised cost except for derivatives, trading and non-trading investments which are measured at fair value by reference to published price quotations in an active market or from prices quoted by counterparties or through use of valuation techniques such as discounted cash flow method.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in active market for an identical instrument.

- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

6 Financial assets and liabilities *(continued)*

Fair value of financial instruments *(continued)*

Level 3: Valuation techniques using unobservable inputs. This category includes all instruments where the valuation technique includes input not based on observable data and the unobservable input have a significant impact on the instrument's valuation.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The fair values of due from banks and financial institutions, reverse repurchase agreement , due to banks and financial institutions, repurchase agreements and customers' deposits which are predominantly short term in tenure and issued at market rates, are considered to reasonably approximate their book value.

The Group estimates that the fair value of its loans and advances portfolio is not materially different from its book value since majority of loans and advances carry floating market rates of interest and are frequently re-priced. For loans considered impaired, expected cash flows, including anticipated realisation of collateral, were discounted using an appropriate rate and considering the time of collection, the net result of which is not materially different from the carrying value.

6 Financial assets and liabilities *(continued)*

Fair value of financial instruments *(continued)*

The table below sets out the Group's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2011:

	Designated at fair value through profit or loss AED'000	Held for trading AED'000	Available for sale AED'000	Held to maturity AED'000	Loans and advances AED'000	Other amortised cost AED'000	Carrying amount AED'000
Cash and balances with central banks	-	-	-	-	-	24,468,641	**24,468,641**
Investments at fair value through profit or loss	-	1,610,745	-	-	-	-	**1,610,745**
Due from banks and financial institutions	-	-	-	-	-	15,166,763	**15,166,763**
Reverse repurchase agreements	-	-	-	-	-	16,425,020	**16,425,020**
Loans and advances	-	-	-	-	159,522,178	-	**159,522,178**
Non-trading investments	-	-	21,357,205	5,212,135	-	-	**26,569,340**
Other assets	797,258	4,808,389	-	-	-	4,054,174	**9,659,821**
	797,258	**6,419,134**	**21,357,205**	**5,212,135**	**159,522,178**	**60,114,598**	**253,422,508**
Due to banks and financial institutions	-	-	-	-	-	39,795,601	**39,795,601**
Repurchase agreements	-	-	-	-	-	3,513,726	**3,513,726**
Euro commercial paper	-	-	-	-	-	-	-
Customers' deposits	-	-	-	-	-	151,816,887	**151,816,887**
Medium-term borrowings	-	-	-	-	-	15,148,516	**15,148,516**
Other liabilities	825,668	3,958,805	-	-	-	5,743,997	**10,528,470**
Subordinated notes	-	-	-	-	-	7,990,054	**7,990,054**
	825,668	**3,958,805**	**-**	**-**	**-**	**224,008,781**	**228,793,254**

6 Financial assets and liabilities *(continued)*

Fair value of financial instruments *(continued)*

The table below sets out the Group's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2010:

	Designated at fair value through profit or loss AED'000	Held for trading AED'000	Available for sale AED'000	Held to maturity AED'000	Loans and advances AED'000	Other amortised cost AED'000	Carrying amount AED'000
Cash and balances with central banks	-	-	-	-	-	18,429,827	**18,429,827**
Investments at fair value through profit or loss	-	1,292,826	-	-	-	-	**1,292,826**
Due from banks and financial institutions	-	-	-	-	-	14,764,757	**14,764,757**
Reverse repurchase agreements	-	-	-	-	-	10,898,457	**10,898,457**
Loans and advances	-	-	-	-	136,833,496	-	**136,833,496**
Non-trading investments	-	-	19,559,505	1,836,500	-	-	**21,396,005**
Other assets	465,480	1,901,770	-	-	-	3,205,601	**5,572,851**
	465,480	**3,194,596**	**19,559,505**	**1,836,500**	**136,833,496**	**47,298,642**	**209,188,219**
Due to banks and financial institutions	-	-	-	-	-	31,551,346	**31,551,346**
Repurchase agreements	-	-	-	-	-	2,542,896	**2,542,896**
Euro commercial paper	-	-	-	-	-	35,053	**35,053**
Customers' deposits	-	-	-	-	-	123,130,589	**123,130,589**
Medium-term borrowings	-	-	-	-	-	14,458,665	**14,458,665**
Other liabilities	403,141	1,629,548	-	-	-	4,808,193	**6,840,882**
Subordinated notes	-	-	-	-	-	8,312,286	**8,312,286**
	403,141	**1,629,548**	**-**	**-**	**-**	**184,839,028**	**186,871,717**

6 Financial assets and liabilities *(continued)*

Fair value of financial instruments *(continued)*

Fair value hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 31 December 2011				
Financial assets held for trading	1,610,745	-	-	**1,610,745**
Available-for-sale financial assets	16,856,573	4,476,246	24,386	**21,357,205**
Derivative financial assets	501	5,605,146	-	**5,605,647**
Derivative financial liabilities	271	4,784,202	-	**4,784,473**
	18,468,090	**14,865,594**	**24,386**	**33,358,070**
As at 31 December 2010				
Financial assets held for trading	1,292,826	-	-	**1,292,826**
Available-for-sale financial assets	14,338,227	4,802,040	419,238	**19,559,505**
Derivative financial assets	1,699	2,365,551	-	**2,367,250**
Derivative financial liabilities	787	2,031,902	-	**2,032,689**
	15,633,539	**9,199,493**	**419,238**	**25,252,270**

Certain available-for-sale investment securities have been disclosed under Level 3 of the fair value hierarchy as management has recorded these at cost in the absence of observable market data. Management has deemed cost to be a close approximation of their fair value.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3:

	2011 AED'000	2010 AED'000
Available-for-sale financial assets		
Balance as at 1 January	**419,238**	414,571
Purchases	**-**	260,281
Settlements and transfers	**(394,852)**	(255,614)
Balance as at 31 December	**24,386**	419,238

7 Cash and balances with central banks

	2011 AED'000	2010 AED'000
Cash on hand	**1,132,344**	883,438
Balances with the Central Bank of the UAE		
cash reserve deposits	**6,524,220**	5,132,293
certificates of deposits	**6,000,000**	9,800,000
other deposits and balances	**914,352**	-
Balances with other central banks		
cash reserve deposits	**1,388,580**	1,514,883
other deposits and balances	**8,509,145**	1,099,213
	24,468,641	18,429,827

Cash reserve deposits are not available for the day to day operations of the Group.

8 Investments at fair value through profit or loss

	2011 AED'000	2010 AED'000
Trading portfolio		
Managed portfolios	**570,474**	375,395
Debt and equity instruments	**1,040,271**	917,431
	1,610,745	1,292,826

9 Due from banks and financial institutions

	2011 AED'000	2010 AED'000
Current, call and notice deposits	**3,121,542**	1,904,919
Margin deposits	**284,228**	601,366
Fixed deposits	**10,370,993**	11,598,472
Wakala placements	**1,390,000**	660,000
	15,166,763	14,764,757

10 Reverse repurchase agreements

The Group enters into reverse repurchase agreements in the normal course of business in which the third party transfers financial assets to the Group for short term financing.

The carrying amount of financial assets at the reporting date amounted to AED 16,425 million *(2010: AED 10,898 million).*

No allowances for impairment have been recognised against reverse repurchase agreements during the year *(2010: nil)*.

11 Loans and advances

	2011	2010
	AED'000	AED'000
Gross loans and advances	**164,825,023**	140,856,201
Less: allowance for impairment	**(4,800,706)**	(3,664,081)
Less: interest suspended	**(502,139)**	(358,624)
Net loans and advances	**159,522,178**	136,833,496

An analysis of gross loans and advances by counterparty at the reporting date is shown below:

	2011	2010
	AED'000	AED'000
Government sector	**17,293,055**	16,949,791
Public sector	**45,346,578**	37,698,440
Banking sector	**16,052,536**	4,236,794
Corporate / private sector	**59,288,780**	55,415,632
Personal / retail sector	**26,844,074**	26,555,544
Gross loans and advances	**164,825,023**	140,856,201

The movement in the allowance for impairment during the year is shown below:

	2011	2010
	AED'000	AED'000
At 1 January	**3,664,081**	2,657,510
Charge for the year		
Collective provision	**428,376**	288,133
Specific provision	**1,291,038**	1,071,394
Recoveries	**(128,195)**	(48,962)
Write-backs during the year	**(268,939)**	(199,405)
Amounts written off	**(185,655)**	(104,589)
At 31 December	**4,800,706**	3,664,081

11 Loans and advances *(continued)*

Islamic financing

Included in the above loans and advances are the following Islamic financing contracts:

	2011 AED'000	2010 AED'000
Ijara	**6,804,114**	6,183,730
Murabaha	**611,588**	517,883
Mudaraba	**2,940**	14,699
Others	**2,533**	1,106
Total Islamic financing contracts	**7,421,175**	6,717,418
Less: allowance for impairment	**(63,290)**	(62,928)
Less: suspended profit	**(2,263)**	(3,239)
	7,355,622	6,651,251

The movement in the allowance for impairment during the year is shown below:

	2011 AED'000	2010 AED'000
Balance as at 1 January	**62,928**	56,540
Charge for the year		
Collective provision	**475**	10,321
Specific provision	**-**	213
Recoveries	**-**	-
Write-backs during the year	**(113)**	-
Amounts written off and other adjustments	**-**	(4,146)
Balance as at 31 December	**63,290**	62,928

The gross Ijara and the related present value of minimum Ijara payments are as follows:

	2011 AED'000	2010 AED'000
Gross Ijara		
Less than one year	**1,493,258**	954,259
Between one and five years	**3,796,320**	3,683,588
More than five years	**2,968,025**	3,029,182
	8,257,603	7,667,029
Less: deferred income	**(1,453,489)**	(1,483,299)
Net Ijara	**6,804,114**	6,183,730

11 Loans and advances *(continued)*

Islamic financing *(continued)*

	2011 AED'000	2010 AED'000
Net present value of minimum lease payments		
Less than one year	**1,165,508**	669,700
Between one and five years	**3,020,008**	2,870,764
More than five years	**2,618,598**	2,643,266
	6,804,114	6,183,730

12 Non-trading investments

Available-for-sale investments

	2011 AED'000	2010 AED'000
Unquoted investments	**41,098**	435,950
Less: allowance for impairment	**(16,712)**	(16,712)
	24,386	419,238
Quoted investments	**21,332,819**	19,140,267
Total available for sale investments	**21,357,205**	19,559,505

Unquoted investments comprise unquoted equity securities amounting to AED 24,095 thousand *(2010: AED 24,104 thousand)* which are carried at cost as their fair value cannot be reliably estimated. The Group does not intend to dispose of these investments in near term.

Debt instruments under repurchase agreements included in quoted available for sale investments at 31 December 2011 amounted to AED 2,067 million *(2010: AED* 2,361 *million) (note 16).*

Held-to-maturity

	2011 AED'000	2010 AED'000
Debt securities	**5,212,135**	1,836,500
Total non-trading investments	**26,569,340**	21,396,005

During the year the Group reclassified Debt securities amounting to AED 266,692 thousand *(2010: AED nil)* from available from sale investments to held to maturity as a result of such reclassification there is no impact in the profit and loss account or fair value reserve.

13 Other assets

	2011 **AED'000**	2010 AED'000
Interest receivable	**1,846,396**	1,210,740
Acceptances	**1,369,955**	1,295,000
Sundry debtors and other receivables	**837,823**	699,861
Deferred tax asset	**29,237**	28,499
Positive fair value of derivatives (*note 38)*	**5,605,647**	2,367,250
	9,689,058	5,601,350

14 Property and equipment

	Land, building and alterations AED'000	**Computer systems and equipment AED'000**	**Furniture, equipment, safes and vehicles AED'000**	**Capital work - in progress AED'000**	**Total AED'000**
Cost					
At 1 January 2010	1,973,685	313,632	220,856	186,199	2,694,372
Acquisitions	117,427	33,663	50,439	175,252	376,781
Transfer	100,340	20,102	1,796	(122,238)	-
Disposals / write off	(21,283)	(14,838)	(17,405)	-	(53,526)
At 31 December 2010	**2,170,169**	**352,559**	**255,686**	**239,213**	**3,017,627**
Acquisitions	49,032	39,117	33,318	204,184	325,651
Transfer	49,110	101,374	4,929	(155,413)	-
Disposals / write off	(7,220)	(3,966)	(11,961)	-	(23,147)
At 31 December 2011	**2,261,091**	**489,084**	**281,972**	**287,984**	**3,320,131**
Accumulated depreciation and impairment losses					
At 1 January 2010	334,858	172,384	139,285	-	646,527
Charge for the year	42,399	47,853	30,892	-	121,144
Disposals	(9,038)	(13,593)	(14,966)	-	(37,597)
Impairment loss *(note 34)*	77,001	-	-	-	77,001
At 31 December 2010	**445,220**	**206,644**	**155,211**	**-**	**807,075**
Charge for the year	48,847	70,067	38,363	-	157,277
Disposals	(6,181)	(2,198)	(10,975)	-	(19,354)
Impairment loss *(note 34)*	159,373	-	-	-	159,373
At 31 December 2011	**647,259**	**274,513**	**182,599**	**-**	**1,104,371**
Carrying amounts					
At 31 December 2010	1,724,949	145,915	100,475	239,213	2,210,552
At 31 December 2011	**1,613,832**	**214,571**	**99,373**	**287,984**	**2,215,760**

14 Property and equipment *(continued)*

Land, building and alteration includes plots of land for which no plans for construction have been formalised. These lands are carried at current market value which is lower than there cost.

Capital work in progress mainly comprises of properties under construction.

15 Due to banks and financial institutions

	2011 AED'000	2010 AED'000
Banks and financial institutions		
Current, call and notice deposits	**1,705,058**	770,406
Margin	**155,754**	-
Fixed deposits	**25,053,561**	20,893,196
Wakala deposit	**5,808,400**	4,080,000
	32,722,773	25,743,602
Central banks		
Current and call	**1,351,001**	890,608
Fixed and certificate of deposits	**5,721,827**	4,917,136
	7,072,828	5,807,744
	39,795,601	31,551,346

Due to banks and financial institutions are denominated in various currencies and carry a rate of interest in the range of 0% to 4.50% *(2010: 0% to 4.20%)*.

16 Repurchase agreements

The Group enters into repurchase agreements in the normal course of business by which it transfers recognised financial assets directly to third parties.

The carrying amount of financial assets at the reporting date amounted to AED 2,067 million *(2010: AED 2,361 million) (note 12)* and their associated financial liabilities amounted to AED 3,514 million *(2010: AED 2,543 million).*

17 Euro commercial paper

The Bank established a USD 2,000,000 thousand Euro-Commercial Paper Programme (the "ECP Programme") for the issuance of Euro-commercial paper under an agreement dated 13 September 2006 with Citibank, N.A.

The notes outstanding as at the reporting date amounting AED nil *(2010: AED 35 million denominated in SGD carrying 1.01% and maturing less than 12 months)*.

18 Customers' deposits

	2011	2010
	AED'000	AED'000
By account:		
Current accounts	**32,150,382**	28,195,567
Savings accounts	**6,814,788**	5,151,931
Notice and time deposits	**105,288,051**	84,877,678
Certificates of deposit	**7,563,666**	4,905,413
	151,816,887	123,130,589

	2011	2010
	AED'000	AED'000
By sector:		
Government sector	**46,594,553**	32,090,292
Public sector	**26,077,291**	22,140,648
Corporate / private sector	**45,909,760**	41,644,916
Retail sector	**33,235,283**	27,254,733
	151,816,887	123,130,589

During the year 2010 special deposits amounting to AED 5,606 million received from the UAE Ministry of Finance with original contractual maturities of 3 and 5 years were converted into Tier 2 notes maturing in December 2016 *(see note 21).*

	2011	2010
	AED'000	AED'000
By location:		
UAE	**101,848,077**	81,016,731
Europe	**19,803,853**	11,142,665
Arab countries	**20,074,335**	24,257,788
America	**3,994,167**	2,233,659
Asia	**4,724,381**	2,812,894
Others	**1,372,074**	1,666,852
	151,816,887	123,130,589

Islamic customers' deposits

Included in the above customers' deposits are the following Islamic customer deposits:

	2011	2010
	AED'000	AED'000
Wakala deposits	**2,769,106**	1,949,307
Mudaraba deposit	**146,285**	140,961
	2,915,391	2,090,268

19 Medium-term borrowings

	2011 AED'000	2010 AED'000
Club loan and other facilities	**3,489,350**	3,489,350
Medium term notes	**11,659,166**	10,969,315
	15,148,516	14,458,665

The following medium term notes are outstanding at 31 December:

Currency	**Interest**	**Year of maturity**	**2011 AED'000**	2010 AED'000
GBP	5.875 per cent (fixed)	Feb 2012	**2,010,313**	2,080,706
EUR	3M EURIBOR + step-up spread	Jun 2012	**166,569**	168,671
EUR	3M EURIBOR + step-up spread	Jul 2012	**556,815**	563,842
USD	3M USD LIBOR + 120bps	Oct 2012	**77,808**	73,570
HKD	1.65 per cent (fixed)	Oct 2013	**89,088**	87,702
USD	4.5 per cent (fixed)	Sep 2014	**3,270,204**	3,229,021
HKD	3.8 per cent (fixed)	Sep 2014	**197,718**	194,713
HKD	3.9 per cent (fixed)	Oct 2014	**121,063**	119,055
USD	4.25 per cent (fixed)	Mar 2015	**2,892,966**	2,818,543
MYR	4.75 per cent (fixed)	Jun 2015	**573,449**	577,830
HKD	3.40 per cent (fixed)	Sep 2017	**152,752**	141,605
USD	3.71 per cent (fixed)	Sep 2017	**113,829**	104,732
HKD	4.32 per cent (fixed)	Sep 2017	**155,508**	145,857
HKD	4.45 per cent (fixed)	Sep 2019	**165,833**	150,844
MYR	4.90 per cent (fixed)	Dec 2020	**549,922**	512,624
JPY	2.60 per cent (fixed)	Jul 2026	**491,869**	-
USD	4.80 per cent (fixed)	Sep 2036	**73,460**	-
			11,659,166	10,969,315

The Group has not had any defaults of principal, interests, or other breaches with respect to its medium term borrowings during 2011 and 2010.

20 Other liabilities

	2011 AED'000	2010 AED'000
Interest payable	**1,368,526**	941,507
Acceptances	**1,331,543**	1,290,312
Provision for staff terminal benefits	**421,146**	388,320
Accounts payable, sundry creditors and other liabilities	**3,043,928**	2,576,374
Negative fair value of derivatives *(note 38)*	**4,784,473**	2,032,689
Overseas income tax	**63,620**	53,817
	11,013,236	7,283,019

20 Other liabilities *(continued)*

The movement in the provision for employees' staff terminal benefits was as follows:

	2011	2010
	AED'000	AED'000
Balance at 1 January	**388,320**	379,531
Provided during the year	**77,659**	72,821
Paid during the year	**(44,833)**	(64,032)
Balance at 31 December	**421,146**	388,320

The Group has provided for overseas income tax in accordance with management's estimate of the total amount payable based on tax rates enacted or substantially enacted as at the reporting date. Where appropriate the Group has made payments of tax on account in respect of these estimated liabilities.

The overseas income tax charge for the year is calculated based upon the adjusted net profit for the year. The movement in the provision was as follows:

	2011	2010
	AED'000	AED'000
At 1 January	**53,817**	62,309
Charge for the year *(note 35)*	**111,624**	88,291
Overseas income tax paid, net of recoveries	**(101,821)**	(96,783)
At 31 December	**63,620**	53,817

21 Subordinated notes

	2011	2010
	AED'000	AED'000
Subordinated note – Ministry of Finance Tier 2 notes	**5,912,647**	5,626,908
Subordinated notes	**2,077,407**	2,685,378
	7,990,054	8,312,286

Ministry of Finance Tier 2 notes

The notes maturing in December 2016 carry a fixed step up coupon and are paid quarterly in arrears. The bank has hedged the interest rate exposure on these notes.

21 Subordinated notes *(continued)*

	2011	2010
	AED'000	AED'000
Liability component		
15 March 2006 issue	**1,040,632**	1,099,672
28 February 2008 issue	**1,036,775**	1,585,706
	2,077,407	2,685,378
Equity component		
15 March 2006 issue	**72,926**	72,926
28 February 2008 issue	**52,984**	52,984
Less: conversion of 15 March 2006 issue	**(40,502)**	(40,502)
Less: Buy back of 28 February 2008 issue	**(25,345)**	(10,483)
Transfer to general reserve	**(32,424)**	-
	27,639	74,925

15 March 2006 issue:

The Bank issued AED 2.5 billion subordinated convertible notes due on 15 March 2016 in accordance with the approval of the Extraordinary General Meeting held on 22 November 2005. The notes bear an interest rate equal to 3 month EBOR plus 0.25% paid quarterly.

During the year, the conversion option for 15 March 2006 issue expired, accordingly, the equity component of AED 32,424 thousand related to this issue was transferred to general reserve.

Further during the year, the Bank purchased back AED 62,000 thousand *(2010: AED nil)* of this issue from the market for AED 54,405 thousand *(2010: AED nil).* As a result, the total outstanding liability components were decreased by AED 60,191 thousand *(2010: AED nil)*. Further, a gain on the extinguishment in the amount of AED 7,022 thousand *(2010: AED nil)* was recognised in the consolidated income statement.

The above mentioned notes are presented in the consolidated statement of financial position as follows:

	2011	2010
	AED'000	AED'000
Proceeds from issue of convertible notes	**2,500,000**	2,500,000
Less: amount classified as equity	**(72,926)**	(72,926)
Carrying amount of liability component on initial recognition	**2,427,074**	2,427,074
Add: cumulative accreted interest	**21,722**	20,571
Less: converted liability component	**(1,347,973)**	(1,347,973)
Carrying amount of liability bought back	**(60,191)**	-
Carrying amount of liability component	**1,040,632**	1,099,672

Interest on these notes is calculated on an effective yield basis by applying the effective interest rate for an equivalent non-convertible notes to the liability component of the convertible notes. The effective interest rate as at 31 December 2011 was 1.811% *(2010: 2.34%).*

21 Subordinated notes *(continued)*

28 February 2008 issue:

Further, on 28 February 2008, the Bank issued AED 2 billion subordinated convertible notes due on 28 February 2018 in accordance with the approval of the Extraordinary General Meeting held on 5 September 2007. The notes bear an interest rate equal to 3 month EBOR less 0.25% paid quarterly.

These convertible notes are presented in the consolidated statement of financial position as follows:

	2011 AED'000	2010 AED'000
Proceeds from issue of convertible notes	**2,000,000**	2,000,000
Less: amount classified as equity	**(52,984)**	(52,984)
Carrying amount of liability component on initial recognition	**1,947,016**	1,947,016
Add: cumulative accreted interest	**21,124**	23,916
Carrying amount of liability bought back	**(931,365)**	(385,226)
Carrying amount of liability component	**1,036,775**	1,585,706

Interest on these notes is calculated on an effective yield basis by applying the effective interest rate for equivalent non-convertible notes to the liability component of the convertible notes. The effective interest rate as at 31 December 2011 was 1.384% *(2010: 2.02%)*.

At the option of the holder, the notes may be converted into ordinary shares of the Bank at any time during the period beginning from 28 May 2008 and ending on the date falling 10 trading days prior to the first call date being 28 February 2013 at the conversion price of AED 17.41 per ordinary share (subsequent to the issue of bonus shares). The Bank has the option to redeem these notes on the first call date being 28 February 2013.

The subordinated convertible notes form part of Tier II capital of the Bank.

During the year, the Bank purchased back AED 561,000 thousand *(2010: AED 181,710 thousand)* of this issue from the market for AED 536,930 thousand *(2010: AED 154,478 thousand)*. As a result, the total outstanding liability and equity components were decreased by AED 546,139 thousand *(2010: AED 175,922 thousand)* and AED 14,862 thousand, *(2010: AED 4,787 thousand)* respectively. Further, a gain on the extinguishment in the amount of AED 26,068 thousand *(2010: AED 26,669 thousand)* was recognised in the consolidated income statement.

Fair value

The carrying amount of the liability component of the convertible notes reflects its current fair value based on discounted cash flows.

The Group has not had any defaults of principal, interests, or other breaches with respect to its subordinated convertible notes during 2011 and 2010.

22 Capital and reserves

Share capital
The authorised share capital of the Bank comprise 2,870 million ordinary shares of AED 1 each *(2010: 2,392 million shares of AED 1 each).* The issued and fully paid share capital at 31 December 2011 is comprised of 2,870 million of AED 1 each *(2010: 2,392 million ordinary shares of AED 1 each)*.

Statutory reserve
The UAE Commercial Companies Law No. (8) of 1984 (as amended) and Article 56 of the Bank's Articles of Association require that 10% of the annual net profit to be transferred to a statutory reserve until it equals 50% of the paid-up share capital. The statutory reserve is not available for distribution to the shareholders.

Special reserve
Transfers to the special reserve are made in accordance with Union Law No. 10 of 1980 and Article 56 of the Bank's Articles of Association under which not less than 10% of the annual net profit is to be transferred to this reserve until it equals 50% of the paid-up share capital. The special reserve is not available for distribution to the shareholders.

Dividends
The following cash dividend was paid by the Group during the year ended 31 December:

	2011 **AED'000**	2010 AED'000
Cash dividend AED 0.3 per ordinary share *(2010: 0.1)*	**717,511**	217,428
20 % bonus shares *(2010: 10% bonus shares)* issued	**478,340**	217,428

Proposed dividends:
On 31 January 2012, a cash dividend of AED 0.3 per ordinary share and bonus shares of 30 % *(2010: AED 0.3 cash dividend per ordinary share and 20% bonus share)* was proposed by the Board of Directors in respect of 2011 which is subject to the approval of the shareholders at the Annual General Meeting.

22 Capital and reserves *(continued)*

Other reserves
Other reserves include the following:

(i) General reserve
The general reserve is available for distribution to the shareholders at the recommendation of the Board of Directors to the shareholders. On 13 March 2011 the AGM approved the transfer of AED 2.3 billion *(2010: AED 2.1 billion)* to general reserve.

(ii) Fair value reserve
The fair value reserve includes the cumulative net change in the fair value of non-trading investments, until the investment is derecognised or impaired, and cash flow hedge reserve.

	2011	2010
	AED'000	AED'000
Revaluation reserve – available for sale investments		
At 1 January	**(414,606)**	(841,388)
(Increase) / decrease in unrealised losses during the year	**(675,949)**	326,288
Net realised losses recognised in the consolidated income statement during the year	**174,317**	100,494
At 31 December	**(916,238)**	(414,606)
Hedging reserve – cash flow hedge		
At 1 January	**-**	(3,835)
Changes in fair value	**17,224**	3,835
At 31 December	**17,224**	-
Total at 31 December	**(899,014)**	(414,606)

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions.

(iii) Foreign currency translation reserve
Foreign currency translation reserve represents the exchange differences arising from translation of the net investment in foreign operations.

23 Government of Abu Dhabi Tier 1 capital notes

Under the Government of Abu Dhabi 2009 Bank capitalisation programme, the Bank issued regulatory Tier 1 capital notes (the "Notes") in the amount of AED 4 billion. The Notes are perpetual, subordinated, unsecured and carry a fixed coupon during the initial period and are paid semi annually in arrears. After the initial period, the Notes attract a coupon rate of 6 month EIBOR plus a fixed margin. The Bank may elect not to pay a coupon at its own discretion. The note holder does not have a right to claim the coupon and an election by the Bank not to service coupon is not considered an event of default.

The issuance was approved in the shareholders Extra Ordinary General Meeting held on 11 March 2009. During the year, a coupon payment election was made by the Bank in the amount of AED 240 million *(2010: AED 240 million)*.

24 Share option scheme

The Bank introduced in 2008 a share based payment scheme (the "Scheme") for selected employees which would vest over three years and can be exercised within the three years after the vesting period.

During the year, in continuation with the existing staff share option scheme, the Bank has granted a new tranche of 17,050 thousand options *(2010: 4,839 thousand options)* to eligible employees.

Each option is generally subject to a 3 year vesting period and 3 year exercise period. The key vesting condition is that the option holder is in continued employment with NBAD on the date of vesting. The options lapse six years after their date of grant irrespective of whether they are exercised or not.

The numbers of share options are as follows:

	2011 Number of options in thousands	2010 Number of options in thousands
Outstanding at 1 January	**23,730**	19,666
Forfeited during the year	**(1,256)**	(775)
Exercised during the year	**-**	-
Granted during the year	**17,050**	4,839
Outstanding at 31 December	**39,524**	23,730

As a result of the issue of bonus shares, the exercise price was revised on 13 March 2011 from AED15.55 to AED 12.95 per share *(2010: AED 17.28 to AED 15.55)*. All the options outstanding as at 31 December 2011 have an exercise price of AED 12.95 *(2010: AED 15.55)*.

25 Interest income

	2011 AED'000	2010 AED'000
Interest from		
Central banks	**71,574**	78,562
Banks and financial institutions	**607,188**	359,247
Reverse repurchase agreements	**94,341**	24,393
Investments at fair value through profit or loss	**8,326**	13,614
Non-trading investments	**972,069**	857,762
Loans and advances	**5,898,288**	5,813,280
	7,651,786	7,146,858

26 Interest expense

	2011 AED'000	2010 AED'000
Interest to		
Banks and financial institutions	**271,272**	205,751
Repurchase agreements	**19,628**	19,100
Euro commercial paper	**138**	221
Customers' deposits	**912,743**	993,518
Certificates of deposit	**115,935**	103,930
Medium-term borrowings	**511,339**	464,444
Subordinated notes	**325,483**	342,281
	2,156,538	2,129,245

27 Income from Islamic financing contracts

	2011 AED'000	2010 AED'000
Ijara	**300,418**	245,073
Murabaha	**61,905**	37,790
Mudaraba	**488**	362
	362,811	283,225

28 Depositors' share of profits

	2011 AED'000	2010 AED'000
Wakala Deposit	**52,164**	49,599
Mudaraba Deposit	**3,001**	2,399
	55,165	51,998

29 Net fee and commission income

	2011 AED'000	2010 AED'000
Fee and commission income		
Letters of credit	**174,261**	146,254
Letters of guarantee	**237,240**	223,890
Brokerage income, net	**16,170**	22,083
Initial Public Offerings (IPO)	**2,436**	879
Asset management and investment services	**111,337**	109,606
Risk participation fees	**105,988**	61,564
Retail and corporate lending fees	**752,721**	659,990
Low credit balance fees	**19,908**	26,053
Commission on transfers	**32,456**	33,262
Others	**183,428**	176,997
Total fee and commission income	**1,635,945**	1,460,578
Fee and commission expense		
Brokerage commission	**15,314**	12,303
Handling charges	**4,508**	4,309
Credit card charges	**174,099**	102,995
Other commission	**51,205**	56,920
Total fee and commission expense	**245,126**	176,527
Net fee and commission income	**1,390,819**	1,284,051

Asset management and investment service fees include fees earned by the Group on trust and fiduciary activities where the Group holds or invests assets on behalf of its customers.

30 Net gain on investments

	2011 AED'000	2010 AED'000
Net realised and unrealised (loss) / gains on investments at fair value through profit or loss and derivatives	**(83,066)**	176,550
Net gain from sale of non-trading investments	**174,317**	122,479
Dividend income	**2,289**	2,191
	93,540	301,220

Interest income on debt instruments classified as investments at fair value through profit or loss as well as debt instruments classified as non-trading investments is presented within interest income.

31 Net foreign exchange gain

	2011 AED'000	2010 AED'000
Trading and retranslation gain / (loss) on foreign exchange and related derivatives	**98,698**	(38,278)
Dealings with customers	**423,533**	312,169
	522,231	273,891

32 Other operating income

	2011 AED'000	2010 AED'000
Gain on buy back of issued convertible notes	**33,090**	26,669
Others	**38,288**	43,863
	71,378	70,532

33 General, administration and other operating expenses

	2011 AED'000	2010 AED'000
Staff costs	**1,716,380**	1,495,821
Other general and administration expenses	**639,799**	534,248
Depreciation	**157,277**	121,144
Donations and charity	**50,268**	34,789
	2,563,724	2,186,002

34 Net impairment charge

	2011 AED'000	2010 AED'000
Collective provision for loans and advances *(note 11)*	**428,376**	288,133
Specific provision for loans and advances *(note 11)*	**1,291,038**	1,071,394
Write back of provisions for loans and advances *(note 11)*	**(268,939)**	(199,405)
Recovery of loan loss provisions *(note 11)*	**(128,195)**	(48,962)
Write-off of impaired loans and advances to consolidated income statement	**19,133**	4,672
Recovery of loans previously written off	**(2,231)**	(2,315)
Provisions for investment	**-**	16,253
Impairment of non financial assets* (note 14)	**159,373**	77,001
	1,498,555	1,206,771

*During the year the Group modified the assumption in its value in use working revaluation for a certain property held for own use, the modification resulted in an additional impairment charge of AED 159,373 thousand *(2010: AED 77,001 thousand) (note 5 (iii)).*

35 Overseas income tax expense

In addition to adjustments relating to deferred taxation, the charge for the year is calculated based upon the adjusted net profit for the year at rates of tax applicable in respective overseas locations.

The charge to the consolidated income statement for the year was as follows:

	2011 AED'000	2010 AED'000
Charge for the year *(note 20)*	**111,624**	88,291
Adjustments relating to deferred taxation	**(588)**	14,311
	111,036	102,602

36 Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts maturing within three months of the date of the acquisition / placement:

	2011 AED'000	2010 AED'000
Cash and balances with central banks	**20,332,004**	11,548,833
Due from banks and financial institutions	**9,657,573**	9,427,746
Cash and cash equivalents	**29,989,577**	20,976,579

37 Commitments and contingencies

	2011 AED'000	2010 AED'000
Letters of credit	**32,279,658**	36,744,734
Letters of guarantee	**45,411,893**	47,854,797
Undrawn commitments to extend credit	**20,873,395**	24,364,556
Financial guarantees	**11,564,783**	10,066,405
	110,129,729	119,030,492

Capital and operating lease commitments at the reporting date is shown below:

	2011 AED'000	2010 AED'000
Commitments for future capital expenditure	**89,573**	55,179
Commitments for future operating lease payments for premises	**164,785**	150,981
	254,358	206,160
Total commitments and contingencies	**110,384,087**	119,236,652

37 Commitments and contingencies *(continued)*

Letters of credit and guarantee commit the Group to make payments on behalf of customers contingent upon the production of documents or the failure of the customer to perform under the terms of the contract.

Commitments to extend credit represent contractual commitments to extend loans and revolving credits. Commitments generally have fixed expiration dates or other termination clauses and may require a payment of a fee. Since commitments may expire without being drawn upon, the total contracted amounts do not necessarily represent future cash requirements.

Commitments for operating lease payments are payable as follows:

	2011 AED'000	2010 AED'000
Less than one year	**51,246**	43,042
Between one and five year	**90,811**	85,409
More than five year	**22,728**	22,530
Total commitments	**164,785**	150,981

Financial guarantees contracts included credit default agreements entered with banks and financial institutions amounting to AED 8,845 million *(2010: AED 6,439 million)* which are primarily denominated in US dollar.

Concentration by location:

	2011 AED'000	2010 AED'000
UAE	**367,300**	1,707,945
Europe	**2,093,610**	954,980
Arab countries	**139,574**	727,254
America	**293,840**	385,665
Asia	**4,536,155**	2,589,465
Others	**1,414,105**	73,460
	8,844,584	6,438,769

38 Derivative financial instruments

In the ordinary course of business the Group enters into various types of transactions that involve derivative financial instruments. Derivative financial instruments include forwards, futures, swaps and options. These transactions are primarily entered with Banks and financial institutions.

Forwards and futures contracts are commitments to either purchase or sell foreign currencies, commodities or financial instruments at a specified future date for a specified price.

Swaps are the agreements between the Group and other parties to exchange future cash flows based upon agreed notional amounts. Swaps most commonly used by the Group are interest rate swaps and cross currency swaps.

Options are contractual agreements that convey the right, but not the obligation, to either buy or sell a specific amount of a commodity or financial instrument at a fixed price either at fixed future date or at any time within a specified period.

Derivatives are measured at fair value by reference to published price quotations in an active market or counterparty prices or valuation techniques such as discounted cash flows.

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to their fair values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

38 Derivative financial instruments *(continued)*

31 December 2011

	Positive market value AED'000	Negative market value AED'000	Notional amount AED'000	Notional amounts by term to maturity: Less than three months AED'000	From three months to one year AED'000	From one year to three years AED'000	From three years to five years AED'000	Over five years AED'000
Held for trading:								
Interest rate swaps	3,104,434	2,784,338	**206,641,368**	21,092,254	39,295,128	60,286,017	47,472,586	38,495,383
Cross currency interest rate swap	27,673	26,800	**621,741**	585,231	-	36,510	-	-
Currency swap	828,985	323,578	**149,933,619**	101,180,092	44,591,113	4,162,414	-	-
Bond option	-	-	**-**	-	-	-	-	-
Forward purchase of securities and Interest rate future	501	271	**243,137**	243,137	-	-	-	-
Forward rate agreements	-	3,856	**3,862,251**	-	3,862,251	-	-	-
Structured product	351,097	348,285	**13,643,383**	-	3,189,032	4,867,420	797,208	4,789,723
Currency options and foreign exchange forwards	495,699	471,677	**6,825,996**	4,019,744	1,844,931	961,321	-	-
Credit default swaps	-	-	**297,196**	-	55,095	242,101	-	-
	4,808,389	**3,958,805**	**382,068,691**	**127,120,458**	**92,837,550**	**70,555,783**	**48,269,794**	**43,285,106**
Held as fair value hedges:								
Interest rate swaps	644,265	734,168	**20,080,137**	4,155,065	3,255,211	4,160,727	8,361,136	147,998
Cross currency interest rate swaps	130,068	81,200	**10,734,330**	990,048	404,728	2,553,177	846,665	5,939,712
Total return swaps	-	-	**15,256**	15,256	-	-	-	-
Forward rate agreement	-	4,599	**367,300**	-	-	367,300	-	-
	774,333	**819,967**	**31,197,023**	**5,160,369**	**3,659,939**	**7,081,204**	**9,207,801**	**6,087,710**
Held as cash flow hedges:								
Interest rate swaps	23	-	**35,652**	-	-	-	-	35,652
Currency options and foreign exchange forwards	2,227	5,701	**5,538,492**	2,636,087	2,902,405	-	-	-
Cross currency interest rate swaps	20,675	-	**331,041**	-	-	-	-	331,041
	22,925	**5,701**	**5,905,185**	**2,636,087**	**2,902,405**	**-**	**-**	**366,693**
Total	**5,605,647**	**4,784,473**	**419,170,899**	**134,916,914**	**99,399,894**	**77,636,987**	**57,477,595**	**49,739,509**

38 Derivative financial instruments *(continued)*

31 December 2010

	Positive market value AED'000	Negative market value AED'000	Notional amount AED'000	Notional amounts by term to maturity: Less than three months AED'000	From three months to one year AED'000	From one year to three years AED'000	From three years to five years AED'000	Over five years AED'000
Held for trading:								
Interest rate swaps	1,120,006	974,412	**108,969,793**	13,430,127	23,178,385	29,772,892	17,505,535	25,082,854
Cross currency interest rate swap	385,884	388,155	**4,437,549**	-	4,437,549	-	-	-
Currency swap	-	-	**-**	-	-	-	-	-
Bond option	271	331	**29,440,210**	29,440,210	-	-	-	-
Forward purchase of securities and Interest rate future	1,428	456	**9,638,099**	9,638,099	-	-	-	-
Structured product	263,892	263,892	**24,894,053**	-	-	21,882,400	223,700	2,787,953
Currency options and foreign exchange forwards	130,289	2,302	**108,528,148**	69,025,534	34,826,965	4,405,869	269,780	-
Credit default swaps	-	-	**-**	-	-	-	-	-
	1,901,770	**1,629,548**	**285,907,852**	**121,533,970**	**62,442,899**	**56,061,161**	**17,999,015**	**27,870,807**
Held as fair value hedges:								
Interest rate swaps	450,705	311,284	**20,009,247**	-	2,175,103	5,509,173	7,110,021	5,214,950
Cross currency interest rate swaps	14,775	91,857	**4,321,327**	-	80,334	398,070	1,771,666	2,071,257
Total return swaps	-	-	**13,752**	13,752	-	-	-	-
Forward rate agreement	-	-	-	-	-	-	-	-
	465,480	**403,141**	**24,344,326**	**13,752**	**2,255,437**	**5,907,243**	**8,881,687**	**7,286,207**
Held as cash flow hedges:								
Interest rate swaps	-	-	**-**	-	-	-	-	-
Currency options and foreign exchange forwards	-	-	**-**	-	-	-	-	-
Cross currency interest rate swaps	-	-	**-**	-	-	-	-	-
	-	-	**-**	-	-	-	-	-
Total	**2,367,250**	**2,032,689**	**310,252,178**	**121,547,722**	**64,698,336**	**61,968,404**	**26,880,702**	**35,157,014**

38 Derivative financial instruments *(continued)*

The positive / negative fair value in respect of derivatives represents the gain / loss respectively, arising on fair valuation of the hedging instrument. These amounts are not indicative of any current or future losses, as a similar positive / negative amount has been adjusted to the carrying value of the hedged loans and advances and non-trading investments.

Derivatives held for trading
The Group uses derivatives, not designated in a qualifying hedge relationship, to manage its exposure to foreign currency, interest rate and credit risks. The instruments used mainly include interest rate and currency swaps and forward contracts. The fair values of those derivatives are shown in the table above.

Derivatives held as fair value hedge
The Group uses interest rate swaps, to hedge against the changes in fair value arising from specifically identified interest bearing assets such as loans and advances, non-trading investments, medium term borrowings and subordinate note. The Group uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks.

Derivatives held as cash flow hedge
The Group uses cross-currency interest rate swaps and non deliverable forward contract to hedge the foreign currency and interest rate risk arising from its financial instruments and for highly probable forecasted transactions. The Group has substantially matched the critical terms of the cross-currency swaps to have an effective hedge relationship.

39 Related parties

Identity of related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major shareholders, directors and key management personal of the Group. The terms of these transactions are approved by the Group's management and are made on terms agreed by the Board of Directors or management.

Parent and ultimate controlling party

Pursuant to the provisions of Law No. 16 of 2006, Abu Dhabi Investment Council (the "Council") was established which holds 70.48% of the share capital of the Bank.

Compensation of directors and key management personnel

	2011	2010
	AED'000	AED'000
Key management compensation		
Short term employment benefits	**61,435**	49,140
Post employment benefits	**1,358**	1,241
Termination benefits	**1,512**	1,313

39 Related parties *(continued)*

Compensation of directors and key management personnel *(continued)*

	2011 AED'000	2010 AED'000
Directors' remuneration	**5,450**	4,950

During the year, a coupon payment election was made by the Bank in relation to Government of Abu Dhabi Tier 1 capital notes in the amount of AED 240 million *(2010: AED 240 million).*

Terms and conditions

Loans and deposits are granted and accepted in various currency denominations and for various time periods. Interest rates earned on such loans and advances extended to related parties during the year have ranged from 0.05% to 7% per annum *(2010:1% to 18% per annum)* and interest rates incurred on customers' deposits placed by related parties during the year have ranged from nil (non-interest bearing accounts) to 4.5% per annum *(2010: nil (non interest bearing accounts) to 2% per annum)*.

Fees and commissions earned on transactions with related parties during the year have ranged from 0.50% to 1.00 % *(2010: 0.50% to 1.00%)*.

Collaterals against lending to related parties range from being unsecured to fully secure.

Balances

Balances with related parties at the reporting date are shown below:

	Directors and key management AED'000	**Major shareholder AED'000**	**Others AED'000**	**2011 Total AED'000**	2010 Total AED'000
Loans and advances	**894,349**	**578,400**	**48,834,971**	**50,307,720**	39,961,039
Customers' deposits	**423,444**	**68,742**	**47,494,737**	**47,986,923**	33,274,617
Contingent liabilities	**616,666**	**211,320**	**26,676,259**	**27,504,245**	55,199,418

Others comprise Government of Abu Dhabi entities.

39 Related parties *(continued)*

Transactions

Transactions carried out during the year with related parties are shown below:

	Directors and key management AED'000	**Major shareholder AED'000**	**Others AED'000**	**2011 Total AED'000**	2010 Total AED'000
Fee and commission income	**5,034**	**2,002**	**16,751**	**23,787**	35,934
Interest income	**31,293**	**29,488**	**996,106**	**1,056,887**	1,231,993
Interest expense	**2,015**	**1,050**	**205,825**	**208,890**	436,809

No allowances for impairment have been recognised against loans and advances extended to related parties or contingent liabilities issued in favour of related parties during the year *(2010: AED nil)*.

Due to the pervasiveness of the ultimate controlling party and related concerns, it is impractical to fully disclose related party transactions as described by International Accounting Standard 24.

40 Segmental information

The Group is structured into the following seven major business segments, which form the basis on which the primary segment information is reported:

- *Domestic Banking*
  The Domestic Banking Division (''DBD'') is responsible for three major customer segments together with the associated operations and administration. The DBD is structured on the basis of the Issuer's customer segments and the differing needs of the Issuer's broad customer base. The DBD comprises of three segments: Consumer Banking, Business Banking group and Elite Banking.

- *International Banking*
  The International Banking Division (''IBD'') manages the overseas banking network and credit derivative book. It primarily comprises of both Arab world banking (which includes the Issuer's networks in Bahrain, Egypt, Oman, Kuwait, Jordan, Sudan and Libya) and international banking (which includes the Issuer's operations in France, Malaysia, Hong Kong , the United Kingdom and the United States of America);

40 Segmental information *(continued)*

- *Financial Markets*
  The Financial Markets Division (''FMD'') is the Group's key access point to the markets globally, it also ensures the liquidity for the entire Group. FMD currently operates through Liquidity management and Interest rate group, Trading and investment group and Institutional Coverage and primary market, Corporate coverage and Ecommerce group.

- *Corporate and Investment Banking*
  Corporate and Investment Banking Division (''CIBD'') provides corporate and investment clients with strategic advice and bespoke innovative solutions. The CIBD comprises six business units: Corporate Banking Group, Investment Banking Group, Wholesale Banking Group, Abu Dhabi National Leasing LLC, Abu Dhabi National Properties and Special asset advisory.

- *Global Wealth*
  Global Wealth comprises Private Banking, Asset Management Group (which includes local and global funds as well as discretionary portfolio management), Custody and Business development and the Banks wholly-owned stockbroker Abu Dhabi Financial Services and Abu Dhabi Brokerage Company Egypt.

- *Islamic Business*
  Islamic Banking comprises Abu Dhabi National Islamic Finance and the Issuer's Islamic Division.

- *Head Office*
  The Group provides centralised human resources, information technology, finance, investor relations, risk management, corporate communications, property, legal, internal audit, collective provisions, operations and administrative support to all of its businesses units. The Head Office, which is run like a business, manages the Groups' free capital.

The accounting policies of the reportable segments are the same as described in notes 2 and 3. Transactions between segments, and between branches within a segment, are conducted at estimated market rates on rates agreed by management. Interest is charged or credited to branches and business segments either at contracted or pool rates, both of which approximate the replacement cost of funds.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before taxation, as included in the internal management reports that are reviewed by the Group's Chief Executive. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

40 Segmental information *(continued)*

	Domestic Banking AED'000	Int'l Banking AED'000	Financial Markets AED'000	Corporate & Investment Banking AED'000	Global Wealth AED'000	Islamic Business AED'000	Head office AED'000	Total AED'000
As at and for the year ended 31 December 2011:								
Operating income	1,855,907	1,139,436	985,611	2,746,823	242,760	240,335	669,990	**7,880,862**
Net impairment charge	208,757	115,219	-	589,906	5,509	362	578,802	**1,498,555**
Profit / (loss) before taxation	862,046	626,150	845,133	1,933,174	59,900	158,955	(666,775)	**3,818,583**
Overseas taxation	-	108,065	-	-	2,971	-	-	**111,036**
Net profit / (loss) for the year	862,046	518,085	845,133	1,933,174	56,929	158,955	(666,775)	**3,707,547**
Segment total assets	38,161,060	53,882,988	81,032,958	101,818,967	7,721,189	9,933,120	51,334,172	**343,884,454**
Inter segment balances								**(88,216,949)**
Total assets								**255,667,505**
Segment total liability	37,278,142	51,140,937	81,000,396	99,637,619	7,258,254	9,355,964	31,823,657	**317,494,969**
Inter segment balances								**(88,216,949)**
Total liability								**229,278,020**

Note: Except for Islamic subsidiary the collective provisions of the Group's United Arab Emirates operations are recognised centrally in the Head office accounts and are not allocated to the business units.

40 Segmental information *(continued)*

	Domestic Banking AED'000	Int'l Banking AED'000	Financial Markets AED'000	Corporate & Investment Banking AED'000	Global Wealth AED'000	Islamic Business AED'000	Head office AED'000	Total AED'000
As at and for the year ended 31 December 2010:								
Operating income	1,760,529	942,179	822,881	2,682,586	174,324	158,238	637,797	**7,178,534**
Net impairment charge	(211,848)	(65,856)	-	(558,486)	(3,292)	(1,735)	(365,554)	**(1,206,771)**
Profit / (loss) before taxation	918,808	522,486	711,738	1,915,358	8,176	94,042	(384,847)	**3,785,761**
Overseas taxation	-	(102,497)	-	-	(105)	-	-	**(102,602)**
Net profit / (loss) for the year	918,808	419,989	711,738	1,915,358	8,071	94,042	(384,847)	**3,683,159**
Segment total assets	34,185,356	36,213,902	76,507,849	92,910,356	4,958,051	7,684,765	38,723,929	**291,184,208**
Inter segment balances								**(79,756,938)**
Total assets								**211,427,270**
Segment total liability	33,260,991	33,828,723	76,029,081	91,095,413	4,528,958	7,269,658	21,057,968	**267,070,792**
Inter segment balances								**(79,756,938)**
Total liability								**187,313,854**

Note: Except for Islamic subsidiary the collective provisions of the Group's United Arab Emirates operations are recognised centrally in the Head office accounts and are not allocated to the business units.

41 Earnings per share

Earnings per share is calculated by dividing the net profit for the year after deduction of Tier 1 capital notes payment by the weighted average number of ordinary shares in issue during the year as set out below:

	2011	2010
Basic earnings per share:		
Net profit for the year (AED'000)	**3,707,547**	3,683,159
Less: Payment on Tier 1 capital notes (AED'000)	**(240,000)**	(240,000)
Net profit after payment of Tier 1 capital notes (AED'000)	**3,467,547**	3,443,159
Weighted average number of ordinary shares:		
Ordinary shares as at 1 January of the year ('000s)	**2,391,703**	2,174,275
Effect of bonus shares issued during 2011 ('000s)	**478,340**	478,340
Effect of bonus shares issued during 2010 ('000s)	**-**	217,428
Weighted average number of ordinary shares ('000s)	**2,870,043**	2,870,043
Basic earnings per share (AED)	**1.21**	1.20
Diluted earnings per share:		
Net profit after payment of Tier 1 capital notes (AED'000)	**3,467,547**	3,443,159
Add: Interest on subordinated convertible notes (AED'000)	**32,635**	72,279
Net profit for the year for calculating diluted earnings per share (AED'000)	**3,500,182**	3,515,438
Weighted average number of ordinary shares ('000s)	**2,870,043**	2,870,043
Effect of dilutive potential ordinary shares issued ('000s)	**79,146**	153,554
Weighted average number of ordinary shares in issue for diluted earnings per share ('000s)	**2,949,189**	3,023,597
Diluted earnings per share (AED)	**1.19**	1.16

42 Fiduciary activities

The Group held assets in trust or in a fiduciary capacity for its customers at 31 December 2011 amounting to AED 2,553 million *(2010: AED 3,087 million)*. Furthermore, the Group provides custodian services for some of its customers.

The underlying assets held in a custodial or fiduciary capacity are excluded from the consolidated financial statements of the Group.

43 Special Purpose Entities

The Group has created Special Purpose Entities (SPEs) with defined objectives to carry on fund management and investment activities on behalf of customers. The equity and investments managed by the SPEs are not controlled by the Group and the Group does not obtain benefits from the SPEs' operations, apart from commissions and fee income. In addition, the Group does not provide any guarantees or assume any liabilities of these entities. Consequently, the SPEs' assets, liabilities and results of operations are not included in the consolidated financial statements of the Group. The SPEs are as follows:

Legal name	**Activities**	**Country of incorporation**	**Holding 2011**
NBAD Nominees Limited	Shares registration	England	100%
NBAD Fund Managers (Guernsey) Limited	Equity/Asset Management	Bailiwick of Guernsey	100%
NBAD Global Growth Fund PCC Limited	Equity/Asset Management	Bailiwick of Guernsey	100%
One share PLC	Investment Company	Republic of Ireland	100%
NBAD Private Equity 1	Fund Management	Cayman Island	57.14%
NBAD Deucalion Investment Manager Limited	Fund Management	Cayman Island	50%

44 Comparative figures

Comparative figures have been reclassified to conform with the presentation for the current year.

National Bank of Abu Dhabi PJSC

Condensed consolidated interim financial statements

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Independent auditors' report on review of condensed consolidated interim financial information

The Shareholders
National Bank of Abu Dhabi PJSC

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of the National Bank of Abu Dhabi PJSC (the "Bank") and its subsidiaries (together referred to as the "Group") as at 31 March 2012, the condensed consolidated interim income statement and condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three month period then ended, and notes to the interim financial information (the "condensed consolidated interim financial information"). The Board of Directors of the Group is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 31 March 2012 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Munther Dajani
Registration No. 268

24 April 2012

National Bank of Abu Dhabi PJSC

Condensed consolidated interim statement of financial position

As at

	Note	(Unaudited) 31 Mar '12 AED'000	(Audited) 31 Dec '11 AED'000
Assets			
Cash and balances with central banks	*6*	**40,826,012**	24,468,641
Investments at fair value through profit or loss		**1,910,820**	1,610,745
Due from banks and financial institutions		**20,011,613**	15,166,763
Reverse repurchase agreements		**26,487,147**	16,425,020
Loans and advances	*7*	**163,225,195**	159,522,178
Non-trading investments	*8*	**25,290,864**	26,569,340
Other assets		**9,304,711**	9,689,058
Premises and equipment		**2,247,739**	2,215,760
Total assets		**289,304,101**	255,667,505
Liabilities			
Due to banks and financial institutions	*9*	**32,873,994**	39,795,601
Repurchase agreements		**2,062,466**	3,513,726
Euro commercial paper	*10*	**3,308,571**	-
Customers' deposits	*11*	**187,699,356**	151,816,887
Medium-term borrowings	*12*	**15,879,041**	15,148,516
Other liabilities		**12,318,508**	11,013,236
		254,141,936	221,287,966
Subordinated notes	*13*	**8,029,626**	7,990,054
Total liabilities		**262,171,562**	229,278,020
Equity			
Share capital	*14*	**3,874,558**	2,870,043
Statutory and special reserves		**3,563,274**	3,563,274
Other reserves		**13,245,474**	11,466,410
Government of Abu Dhabi tier 1 capital notes	*15*	**4,000,000**	4,000,000
Share option scheme	*16*	**82,153**	76,497
Subordinated convertible notes - equity component	*13*	**27,341**	27,639
Retained earnings		**2,339,739**	4,385,622
Total equity		**27,132,539**	26,389,485
Total liabilities and equity		**289,304,101**	255,667,505

Nasser Ahmed Khalifa Alsowaidi
Chairman

Michael Tomalin
Group Chief Executive

The notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.
The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

National Bank of Abu Dhabi PJSC

Condensed consolidated interim income statement
For the three month period ended 31 March (unaudited)

	Note	**31 Mar '12 AED'000**	31 Mar '11 AED'000
Interest income		**1,948,733**	1,862,677
Interest expense		**(558,436)**	(567,113)
Net interest income		**1,390,297**	1,295,564
Income from Islamic financing contracts		**80,064**	97,139
Depositors' share of profits		**(10,726)**	(14,368)
Net income from Islamic financing contracts		**69,338**	82,771
Net interest and Islamic financing income		**1,459,635**	1,378,335
Fee and commission income		**452,516**	385,445
Fee and commission expense		**(72,122)**	(48,674)
Net fee and commission income		**380,394**	336,771
Net gain on investments		**91,156**	76,329
Net foreign exchange gain		**81,686**	71,396
Other operating income		**16,734**	18,409
		189,576	166,134
Operating income		**2,029,605**	1,881,240
General, administration and other operating expenses		**(645,270)**	(565,912)
Profit before net impairment charge and taxation		**1,384,335**	1,315,328
Net impairment charge	*19*	**(312,799)**	(365,046)
Profit before taxation		**1,071,536**	950,282
Overseas income tax expense		**(30,956)**	(22,993)
Net profit for the period		**1,040,580**	927,289
Basic earnings per share (AED)	*20*	**0.24**	0.21
Diluted earnings per share (AED)	*20*	**0.23**	0.21

The notes 1 to 23 are an integral part of these condensed consolidated interim financial statements. The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

National Bank of Abu Dhabi PJSC

Condensed consolidated interim statement of comprehensive income
For the three month period ended 31 March (unaudited)

	Note	**31 Mar '12 AED'000**	31 Mar '11 AED'000
Net profit for the period		**1,040,580**	927,289
Other comprehensive income			
Exchange difference on translation of foreign operations		**(10,823)**	(1,723)
Change in the fair value reserve	*17*	**694,173**	(73,294)
Directors' remuneration		**(5,450)**	(5,450)
Buy back of subordinated notes		**229**	-
Other comprehensive income / (expense) for the period		**678,129**	(80,467)
Total comprehensive income for the period		**1,718,709**	846,822

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National Bank of Abu Dhabi PJSC

Condensed consolidated interim statement of changes in equity

For the three month period ended 31 March (unaudited)

	Share capital AED'000	Statutory reserve AED'000	Special reserve AED'000	General reserve AED'000	Government of Abu Dhabi tier 1 capital notes AED'000	Share option scheme AED'000	Fair value reserve AED'000	Foreign currency translation reserve AED'000	Subordinated convertible notes - equity component AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2011	2,391,703	1,195,852	2,128,253	10,507,798	4,000,000	52,739	(414,606)	(3,453)	74,925	4,180,205	24,113,416
Total comprehensive income for the period	-	-	-	-	-	-	(73,294)	(1,723)	-	921,839	846,822
Payment on tier 1 capital note *(note 15)*	-	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Option granted to staff	-	-	-	-	-	7,312	-	-	-	-	7,312
Dividend paid for 2010 *(note 14)*	-	-	-	-	-	-	-	-	-	(717,511)	(717,511)
Bonus shares issued *(note 14)*	478,340	-	-	(478,340)	-	-	-	-	-	-	-
Transfer to general reserve *(note 13,14)*	-	-	-	2,332,424	-	-	-	-	(32,424)	(2,300,000)	-
Balance at 31 March 2011	**2,870,043**	**1,195,852**	**2,128,253**	**12,361,882**	**4,000,000**	**60,051**	**(487,900)**	**(5,176)**	**42,501**	**1,964,533**	**24,130,039**
Balance at 1 January 2012	**2,870,043**	**1,435,021**	**2,128,253**	**12,370,070**	**4,000,000**	**76,497**	**(899,014)**	**(4,646)**	**27,639**	**4,385,622**	**26,389,485**
Total comprehensive income for the period	-	-	-	229	-	-	694,173	(10,823)	-	1,035,130	1,718,709
Payment on tier 1 capital note *(note 15)*	-	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Option granted to staff	-	-	-	-	-	5,656	-	-	-	-	5,656
Dividend paid for 2011 *(note 14)*	-	-	-	-	-	-	-	-	-	(861,013)	(861,013)
Bonus shares issued *(note 14)*	1,004,515	-	-	(1,004,515)	-	-	-	-	-	-	-
Transfer to general reserve *(note 14)*	-	-	-	2,100,000	-	-	-	-	-	(2,100,000)	-
Buy back of subordinated notes	-	-	-	-	-	-	-	-	(298)	-	(298)
Balance at 31 March 2012	**3,874,558**	**1,435,021**	**2,128,253**	**13,465,784**	**4,000,000**	**82,153**	**(204,841)**	**(15,469)**	**27,341**	**2,339,739**	**27,132,539**

The notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

National Bank of Abu Dhabi PJSC

Condensed consolidated interim statement of cash flows

For the three month period ended 31 March (unaudited)

	31 Mar '12 AED'000	31 Mar '11 AED'000
Cash flows from operating activities		
Profit before taxation	**1,071,536**	950,282
Adjustments for:		
Depreciation	**40,396**	34,294
Profit on buy back of subordinated debt	**(334)**	-
Accreted interest	**4,660**	4,854
Net impairment charge on assets	**395,908**	398,879
Foreign exchange translation adjustment	**60,960**	147,413
Share option scheme	**5,656**	7,312
	1,578,782	1,543,034
Change in investments at fair value through profit or loss	**(300,480)**	162,041
Change in due from central banks, banks and financial institutions	**(1,514,025)**	(402,036)
Change in reverse repurchase agreements	**(10,062,127)**	(4,591,935)
Change in loans and advances	**(4,088,337)**	(6,759,114)
Change in other assets	**362,438**	(873,194)
Change in due to banks and financial institutions	**(6,921,607)**	2,322,427
Change in repurchase agreements	**(1,451,259)**	341,391
Change in customers' deposits	**35,882,469**	17,920,531
Change in other liabilities	**1,282,720**	1,273,441
	14,768,574	10,936,586
Overseas income tax paid, net of recoveries	**(22,592)**	(19,797)
Net cash from operating activities	**14,745,982**	10,916,789
Cash flows from investing activities		
Purchase of non-trading investments, net of proceeds from sale or maturity	**1,982,603**	(3,305,017)
Purchase of premises and equipment, net of disposal	**(72,373)**	(110,791)
Net cash from / (used in) investing activities	**1,910,230**	(3,415,808)
Cash flows from financing activities		
Net movement of euro commercial paper	**3,308,571**	960
Issue of medium term borrowings	**2,754,750**	-
Repayment of medium term borrowings	**(2,039,397)**	-
Buy back of subordinated notes	**(10,927)**	-
Dividends paid	**(861,013)**	(717,511)
Payment on tier 1 capital notes	**(120,000)**	(120,000)
Net cash from / (used in) financing activities	**3,031,984**	(836,551)
Net increase in cash and cash equivalents	**19,688,196**	6,664,430
Cash and cash equivalents at 1 January	**29,989,578**	20,976,579
Cash and cash equivalents at 31 March	**49,677,774**	27,641,009
Cash and cash equivalents at 31 March comprise:		
Contractual maturity within three months:		
Cash and balances with central banks	**34,714,201**	14,191,145
Due from banks and financial institutions	**14,963,573**	13,449,864
	49,677,774	27,641,009

The notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

1 Legal status and principal activities

National Bank of Abu Dhabi PJSC (the "Bank") was established in Abu Dhabi in 1968 with limited liability and is registered as a Public Joint Stock Company in accordance with the United Arab Emirates Federal Law No. 8 of 1984 (as amended) relating to Commercial Companies.

Its registered office address is P. O. Box 4, Abu Dhabi, United Arab Emirates. These condensed consolidated interim financial statements as at and for the period ended 31 March 2012 comprise the Bank and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in corporate, retail, private and investment banking activities, Islamic banking activities; and carries out its operations through its local and overseas branches, subsidiaries and representative offices located in United Arab Emirates, Bahrain, Egypt, France, Oman, Kuwait, Sudan, Libya, United Kingdom, Switzerland, Hong Kong, Jordan, Malaysia and United States of America.

The Group's Islamic banking activities are conducted in accordance with Islamic Sharia'a laws issued by the Sharia'a supervisory Board of the Bank.

The consolidated financial statements of the Group as at and for the year ended 31 December 2011 are available upon request from the Bank's registered office, P.O. Box 4, Abu Dhabi, United Arab Emirates or at http://www.nbad.ae.

2 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 *Interim Financial Reporting.* They do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011.

These condensed consolidated interim financial statements were approved on behalf of the Board of Directors on 24 April 2012.

3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2011.

4 Estimates

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2011.

5 Financial risk management

Credit risk

The Group measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset, interest suspended and impairment losses, if any. The carrying amount of financial assets represents the maximum credit exposure.

	Due from banks and financial institutions		Loans and advances		Non-trading investments	
	(Unaudited) 31 Mar 2012 AED'000	(Audited) 31 Dec 2011 AED'000	**(Unaudited) 31 Mar 2012 AED'000**	(Audited) 31 Dec 2011 AED'000	**(Unaudited) 31 Mar 2012 AED'000**	(Audited) 31 Dec 2011 AED'000
Individually impaired						
Substandard	-	-	**2,362,225**	2,292,175	-	-
Doubtful	**979**	979	**1,760,488**	1,823,454	**20,055**	20,055
Loss	-	-	**1,524,494**	1,225,818	-	-
Gross amount	**979**	979	**5,647,207**	5,341,447	**20,055**	20,055
Interest suspended	-	-	**(547,704)**	(502,139)	-	-
Specific allowance for impairment	**(979)**	(979)	**(2,717,676)**	(2,480,109)	**(16,712)**	(16,712)
Carrying amount	-	-	**2,381,827**	2,359,199	**3,343**	3,343
Past due but not impaired						
Past due comprises:						
Less than 30 days	-	-	**361,414**	430,912	-	-
31 – 60 days	-	-	**248,045**	74,894	-	-
61 – 90 days	-	-	**74,707**	77,998	-	-
More than 90 days	-	-	**1,650,930**	1,774,272	-	-
Carrying amount	-	-	**2,335,096**	2,358,076	-	-
Neither past due nor Impaired	**20,011,613**	15,166,763	**160,828,302**	157,125,500	**25,287,521**	26,565,997
Collective allowance for impairment	-	-	**(2,320,030)**	(2,320,597)	-	-
Carrying amount	**20,011,613**	15,166,763	**163,225,195**	159,522,178	**25,290,864**	26,569,340

Non trading investment includes investment in equity instruments amounting to AED 118 million *(31 December 2011: AED 97 million)* which does not carry credit risk.

No allowance for impairment has been recognised against reverse repurchase agreements during the period *(31 December 2011: AED Nil).*

6 Cash and balances with central banks

Cash and balances with central banks include certificates of deposit with the Central Bank of UAE in the amount of AED 6,000 million *(31 December 2011: AED 6,000 million)*.

7 Loans and advances

	(Unaudited) 31 Mar '12 AED'000	(Audited) 31 Dec '11 AED'000
Gross loans and advances	**168,810,605**	164,825,023
Less: allowance for impairment	**(5,037,706)**	(4,800,706)
Less: interest suspended	**(547,704)**	(502,139)
Net loans and advances	**163,225,195**	159,522,178

An analysis of gross loans and advances by counterparty at the reporting date is shown below:

	(Unaudited) 31 Mar '12 AED'000	(Audited) 31 Dec '11 AED'000
Government sector	**17,746,237**	17,293,055
Public sector	**46,321,043**	45,346,578
Banking sector	**17,869,730**	16,052,536
Corporate / private sector	**59,611,560**	59,288,780
Personal / retail sector	**27,262,035**	26,844,074
Gross loans and advances	**168,810,605**	164,825,023

The movement in the allowance for impairment during the period / year is shown below:

	(Unaudited) 31 Mar '12 AED'000	(Audited) 31 Dec '11 AED'000
Balance as at 1 January	**4,800,706**	3,664,081
Charge for the period		
- Collective provision	**(567)**	428,376
- Specific provision	**434,115**	1,291,038
Recoveries	**(81,680)**	(128,195)
Write-backs during the period	**(61,975)**	(268,939)
Write-offs during the period	**(52,893)**	(185,655)
Balance at end of period / year	**5,037,706**	4,800,706

7 Loans and advances *(continued)*

Islamic financing

Included in the above loans and advances are the following Islamic financing contracts:

	(Unaudited) 31 Mar '12 AED'000	(Audited) 31 Dec '11 AED'000
Ijara	**6,686,338**	6,804,114
Murabaha	**575,791**	611,588
Mudaraba	**2,940**	2,940
Others	**3,959**	2,533
Total Islamic financing contracts	**7,269,028**	7,421,175
Less: allowance for impairment	**(59,815)**	(63,648)
Less: suspended profit	**(1,999)**	(2,263)
Net Islamic financing contracts	**7,207,214**	7,355,264

The movement in the allowance for impairment during the period / year is shown below:

	(Unaudited) 31 Mar '12 AED'000	(Audited) 31 Dec '11 AED'000
Balance as at 1 January	**63,648**	62,928
Collective charge during the period	**-**	833
Amounts written back during the period / year	-	(113)
Amount written off and other adjustments	**(3,833)**	**-**
Balance at end of period / year	**59,815**	63,648

8 Non-trading investments

Non-trading investments include financial instruments of AED 1,716 million *(31 December 2011: AED 2,067 million)* given under repurchase agreements and derivative arrangements in the normal course of business.

9 Due to banks and financial institutions

Due to banks and financial institutions include balances due to central banks amounting to AED 6,157 million *(31 December 2011: AED 7,073 million)*.

10 Euro commercial paper

The Bank established a USD 2 billion Euro Commercial Paper Programme (the "ECP Programme") for the issuance of Euro commercial paper under the agreement dated 13 September 2006 with Citibank, N.A.

The notes outstanding as at the reporting date are denominated in various currencies, carrying interest rate in the range of 0.3% to 1.87% per annum *(31 December 2011:Nil)* and maturing less than 12 months *(31 December 2011: Nil)*.

11 Customers' deposits

	(Unaudited) 31 Mar '12 AED'000	(Audited) 31 Dec '11 AED'000
By account:		
Current accounts	**38,143,352**	32,150,382
Savings accounts	**7,417,656**	6,814,788
Notice and time deposits	**131,646,199**	105,288,051
Certificates of deposit	**10,492,149**	7,563,666
	187,699,356	151,816,887
By counterparty:		
Government sector	**75,901,302**	46,594,553
Public sector	**31,487,109**	26,077,291
Corporate / private sector	**45,840,024**	45,909,760
Retail sector	**34,470,921**	33,235,283
	187,699,356	151,816,887

11 Customers' deposits *(continued)*

Islamic customers' deposits

Included in the above customers' deposits are the following Islamic customer deposits:

	(Unaudited) 31 Mar '12 AED'000	(Audited) 31 Dec '11 AED'000
Wakala deposits	**2,396,445**	2,769,106
Mudaraba deposits	**225,030**	146,285
	2,621,475	2,915,391

12 Medium-term borrowings

	(Unaudited) 31 Mar '12 AED'000	(Audited) 31 Dec '11 AED'000
Club loan and other facilities	**3,489,350**	3,489,350
Medium-term notes	**12,389,691**	11,659,166
	15,879,041	15,148,516

The following medium-term notes were outstanding as at reporting dates:

Currency	**Interest**	**Maturity**	**(Unaudited) 31 Mar '12 AED'000**	(Audited) 31 Dec '11 AED'000
GBP	5.875 per cent (fixed)	Feb 2012	**-**	2,010,313
EUR	3 M EURIBOR + step up spread	Jun 2012	**171,544**	166,569
EUR	3 M EURIBOR + step up spread	Jul 2012	**573,446**	556,815
USD	3M USD LIBOR+ 120bps	Oct 2012	**71,801**	77,808
HKD	1.65 per cent (fixed)	Oct 2013	**89,261**	89,088
USD	4.5 per cent (fixed)	Sep 2014	**3,266,812**	3,270,204
HKD	3.8 per cent (fixed)	Sep 2014	**197,824**	197,718
HKD	3.9 per cent (fixed)	Oct 2014	**121,161**	121,063
USD	4.25 per cent (fixed)	Mar 2015	**2,891,885**	2,892,966
MYR	4.75 per cent (fixed)	Jun 2015	**590,433**	573,449
USD	3.25 per cent (fixed)	Mar 2017	**2,754,750**	-
HKD	3.4 per cent (fixed)	Sep 2017	**154,260**	152,752
USD	3.71 per cent (fixed)	Sep 2017	**113,607**	113,829
HKD	4.32 per cent (fixed)	Sep 2017	**156,615**	155,508
HKD	4.45 per cent (fixed)	Sep 2019	**167,113**	165,833
MYR	4.9 per cent (fixed)	Dec 2020	**556,338**	549,922
JPY	2.6 per cent (fixed)	Jul 2026	**439,381**	491,869
USD	4.8 per cent (fixed)	Sep 2036	**73,460**	73,460
			12,389,691	11,659,166

13 Subordinated notes

	(Unaudited) 31 Mar '12 AED'000	(Audited) 31 Dec '11 AED'000
Subordinated note – Ministry of Finance tier 2 note	**5,961,489**	5,912,647
Subordinated notes	**2,068,137**	2,077,407
	8,029,626	7,990,054

Ministry of Finance Tier 2 note

The notes mature in December 2016, carry a fixed step up coupon and are paid quarterly in arrears. The Bank has hedged the interest rate exposure on these notes.

	(Unaudited) 31 Mar '12 AED'000	(Audited) 31 Dec '11 AED'000
Subordinated notes		
Liability component		
15 March 2006 issue	**1,041,164**	1,040,632
28 February 2008 issue	**1,026,973**	1,036,775
	2,068,137	2,077,407
Equity component		
15 March 2006 issue	**72,926**	72,926
28 February 2008 issue	**52,984**	52,984
Less: conversion of 15 March 2006 issue	**(40,502)**	(40,502)
Less: buy back of 28 February 2008 issue	**(25,643)**	(25,345)
Transfer to general reserve	**(32,424)**	(32,424)
	27,341	27,639

15 March 2006 issue:

The conversion option for the 15 March 2006 issue expired in 2011. Accordingly, the equity component of AED 32,424 thousand related to this issue was transferred to general reserve.

28 February 2008 issue:

At the option of the holder, the notes may be converted into ordinary shares of the Bank at any time during the period beginning from 28 May 2008 and ending on the date falling 10 trading days prior to the first call date which being 28 February 2013 at the conversion price of AED 12.81 per ordinary share (subsequent to the issue of bonus shares). The Bank has the option to redeem these notes on the first call date being 28 February 2013.

14 Share capital

At the Annual General Meeting held on 13 March 2012, the shareholders of the Bank approved a cash dividend of AED 0.30 per ordinary share *(31 December 2011: AED 0.30 per ordinary share)* and an increase in the share capital through a 35% bonus shares issue of 1,004,515 thousand ordinary shares of AED 1 each *(31 December 2011: 20% bonus shares issue of 478,340 thousand ordinary shares of AED 1 each)* amounting to AED 1,004,515 thousand *(31 December 2011: AED 478,340 thousand)*. Accordingly, the issued and paid up share capital as at 31 March 2012 is comprised of 3,874,558 thousand ordinary shares of AED 1 each *(31 December 2011: 2,870,043 thousand ordinary shares of AED 1 each)*.

The general reserve is available for distribution to the shareholders at the recommendation of the Board of Directors to the shareholders. On 13 March 2012 the AGM approved the transfer of AED 2.1 billion *(31 December 2011: AED 2.3 billion)* to general reserve.

15 Government of Abu Dhabi Tier 1 capital notes

Under the Government of Abu Dhabi 2009 Bank capitalisation programme, the Bank issued regulatory tier 1 capital notes (“the Notes”) in the amount of AED 4 billion. The Notes are perpetual, subordinated, unsecured and carry a fixed coupon during the initial period and are paid semi annually in arrears. After the initial period, the Notes attract a coupon rate of 6 month EIBOR plus a fixed margin. The Bank may elect not to pay a coupon at its own discretion. The note holders do not have a right to claim the coupon and an election by the Bank not to service coupon is not considered an event of default.

During the period, the Group elected to service coupon on the Government of Abu Dhabi tier 1 capital notes amounting to AED 120 million *(31 March 2011: AED 120 million).*

16 Share option scheme

The Bank introduced in 2008 a share based payment scheme (the “Scheme”) for selected employees which would vest over three years and can be exercised within the three years after the vesting period. The key vesting condition is that the option holder is in continued employment with NBAD on the date of vesting. The options lapse six years after their date of grant irrespective of whether they are exercised or not.

17 Fair value reserve

	(Unaudited) 31 Mar ‘12 AED’000	(Unaudited) 31 Mar ‘11 AED’000
Revaluation reserve – non-trading investment		
At 1 January	**(916,238)**	(414,606)
Net change in fair value	**704,126**	(73,294)
At 31 March	**(212,112)**	(487,900)
Hedging reserve – cash flow hedges		
At 1 January	**17,224**	-
Net change in fair value	**(9,953)**	-
At 31 March	**7,271**	-
Total at 31 March	**(204,841)**	(487,900)

18 Commitments and contingencies

The Group, in the ordinary course of business, enters into various types of transactions that involve undertaking certain commitments such as letters of credit, guarantees and un-drawn loan commitments.

Undrawn commitments to extend credit amounted to AED 18,633 million *(31 December 2011: AED 20,873 million).*

There were no other significant changes in contingent liabilities and commitments during the period.

19 Net impairment charge

	(Unaudited) 31 Mar '12 AED'000	(Unaudited) 31 Mar '11 AED'000
Collective provision for loans and advances *(note 7)*	**(567)**	84,114
Specific provision for loans and advances *(note 7)*	**434,115**	335,980
Write back of provisions for loans and advances *(note 7)*	**(61,975)**	(47,641)
Recovery of loan loss provisions *(note 7)*	**(81,680)**	(33,340)
Write-off of impaired loans and advances	**24,333**	6,426
Recovery of loans previously written off	**(1,427)**	(493)
Impairment of non financial assets	**-**	20,000
	312,799	365,046

20 Earnings per share

Earnings per share is calculated by dividing the net profit for the period after deduction of tier 1 capital notes payment by the weighted average number of ordinary shares in issue during the period as set out below:

	(Unaudited) 31 Mar '12	(Unaudited) 31 Mar '11
Basic earnings per share:		
Net profit for the period (AED'000)	**1,040,580**	927,289
Less: Payment on interest on tier 1 capital note (AED'000)	**(120,000)**	(120,000)
Net profit after payment of interest on tier 1 capital note (AED'000)	**920,580**	807,289
Weighted average number of ordinary shares:		
Ordinary shares as at the beginning of the period ('000s)	**2,870,043**	2,391,703
Effect of bonus shares issued during 2012 ('000s)	**1,004,515**	1,004,515
Effect of bonus shares issued during 2011 ('000s)	**-**	478,340
Weighted average number of ordinary shares ('000s)	**3,874,558**	3,874,558
Basic earnings per share (AED)	**0.24**	0.21
Diluted earnings per share:		
Net profit after payment of interest on tier 1 capital note (AED'000)	**920,580**	807,289
Add: Interest on subordinated convertible notes (AED'000)	**5,418**	14,226
Net profit for the period for calculating diluted earnings per share (AED'000)	**925,998**	821,515
Weighted average number of ordinary shares ('000s)	**3,874,558**	3,874,558
Effect of subordinated convertible note in issue('000s)	**81,221**	81,443
Weighted average number of ordinary shares in issue for diluted earnings per share ('000s)	**3,955,779**	3,956,001
Diluted earnings per share (AED)	**0.23**	**0.21**

21 Segmental information *(unaudited)*

	Domestic Banking AED'000	Int'l Banking AED'000	Financial Markets AED'000	Corporate & Investment Banking AED'000	Global Wealth AED'000	Islamic Business AED'000	Head Office AED'000	Total AED'000
As at and for the three month period ended 31 March 2012								
Operating income	466,818	328,595	256,938	689,878	76,643	62,093	148,640	**2,029,605**
Net impairment charge	(51,113)	(40,927)	-	(218,625)	1	-	(2,135)	**(312,799)**
Profit / (loss) before taxation	219,243	182,523	222,970	413,285	29,085	40,598	(36,168)	**1,071,536**
Overseas taxation	-	(29,703)	-	-	(1,253)	-	-	**(30,956)**
Net profit / (loss) for the period	219,243	152,820	222,970	413,285	27,832	40,598	(36,168)	**1,040,580**
Segment total assets	39,498,936	74,276,758	110,933,237	102,103,110	8,536,012	9,711,249	53,477,987	**398,537,289**
Inter segment balances								**(109,233,188)**
Total assets								**289,304,101**
Segment total liability	39,248,898	71,442,657	110,156,402	101,374,022	8,100,039	9,062,900	32,019,832	**371,404,750**
Inter segment balances								**(109,233,188)**
Total liability								**262,171,562**

Note: Except for Islamic subsidiary the collective provisions of the Group's United Arab Emirates operations are recognised centrally in the Head office accounts and are not allocated to the business units.

21 Segmental information *(unaudited) (continued)*

	Domestic Banking AED'000	Int'l Banking AED'000	Financial Markets AED'000	Corporate & Investment Banking AED'000	Global Wealth AED'000	Islamic Business AED'000	Head Office AED'000	Total AED'000
As at and for the three month period ended 31 March 2011								
Operating income	461,615	268,884	219,897	653,888	51,688	50,326	174,942	1,881,240
Net impairment charge	(72,797)	(33,025)	-	(160,455)	-	-	(98,769)	(365,046)
Profit / (loss) before taxation	214,378	137,655	193,646	439,635	9,510	35,880	(80,422)	950,282
Overseas taxation	-	(22,742)	-	-	(251)	-	-	(22,993)
Net profit / (loss) for the period	214,378	114,912	193,646	439,635	9,260	35,880	(80,422)	927,289
As at 31 December 2011 *(audited)*								
Segment total assets	38,161,060	53,882,988	81,032,958	101,818,967	7,721,189	9,933,120	51,334,172	**343,884,454**
Inter segment balances								**(88,216,949)**
Total assets								**255,667,505**
Segment total liability	37,278,142	51,140,937	81,000,396	99,637,619	7,258,254	9,355,964	31,823,657	**317,494,969**
Inter segment balances								**(88,216,949)**
Total liability								**229,278,020**

Note: Except for the Islamic subsidiary, the collective provision of the Group's United Arab Emirates operation are recognised centrally in the Head office accounts and are not allocated to the business units.

22 Related parties

Identity of related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major shareholders, directors and key management personal of the Group. The terms of these transactions are approved by the Group's management and are made on terms agreed by the Board of Directors or management.

Parent and ultimate controlling party

Pursuant to the provisions of Law No. 16 of 2006, Abu Dhabi Investment Council (the "Council") was established which holds 70.48% of the share capital of the Bank.

Terms and conditions

Loans and deposits are granted and accepted in various currency denominations and for various time periods. Interest rates earned on such loans and advances extended to related parties during the year have ranged from 0.15% to 7.05% per annum *(31 Mar 2011:1.31% to 13.25% per annum)* and interest rates incurred on customers' deposits placed by related parties during the year have ranged from nil (non-interest bearing accounts) to 4.5% per annum *(31 March 2011: Nil to 2.14% per annum)*.

Fees and commissions earned on transactions with related parties during the period have ranged from 0.50% to 1.00% per annum *(31 March 2011: 0.50% to 1.00% per annum*).

Collaterals against lending to related parties range from being unsecured to fully secure.

Balances

Balances with related parties at the reporting date are shown below:

	Directors and key management 31 Mar '12 AED'000	**Major shareholders 31 Mar '12 AED'000**	**Others 31 Mar '12 AED'000**	**(Unaudited) Total 31 Mar '12 AED'000**	(Audited) Total 31 Dec '11 AED'000
Loans and advances	**1,066,914**	**474,370**	**54,053,366**	**55,594,650**	50,307,720
Customers' deposits	**897,873**	**12,695,289**	**68,303,016**	**81,896,178**	47,986,923
Commitments and contingencies	**611,018**	**211,904**	**26,923,947**	**27,746,869**	27,504,245

22 Related parties *(continued)*

Transactions

Transactions carried out during the reporting period with related parties are shown below:

	Directors and key management 31 Mar '12 AED'000	**Major shareholders 31 Mar '12 AED'000**	**Others 31 Mar '12 AED'000**	**(Unaudited) Total 31 Mar '12 AED'000**	(Unaudited) Total 31 Mar '11 AED'000
Fee and commission Income	**1,266**	**389**	**3,569**	**5,224**	3,606
Interest income	**7,333**	**37,479**	**266,714**	**311,526**	198,977
Interest expense	**410**	**5,626**	**74,725**	**80,761**	141,261

No allowances for impairment have been recognised against loans and advances extended to related parties or contingent liabilities issued in favour of related parties during the period ended 31 March 2012 *(31 March 2011: AED Nil)*.

Compensation of key management personnel and directors' remuneration

Key management compensation is as shown below:

	(Unaudited) 31 Mar '12 AED'000	(Unaudited) 31 Mar '11 AED'000
Short term employment benefits	**13,751**	15,440
Post employment benefits	**354**	340
Termination benefits	**412**	379
	14,517	16,159
Directors' remuneration	**5,450**	5,450

During the period, a coupon payment election was made by the Bank in relation to Government of Abu Dhabi tier 1 capital notes in the amount of AED 120 million (*31 March 2011: AED 120 million*).

Due to the pervasiveness of the ultimate controlling party and related concerns, it is impractical to fully disclose related party transactions as described by International Accounting Standard 24.

23 Comparative figures

Certain comparative figures have been reclassified to conform with the presentation for the current period.

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